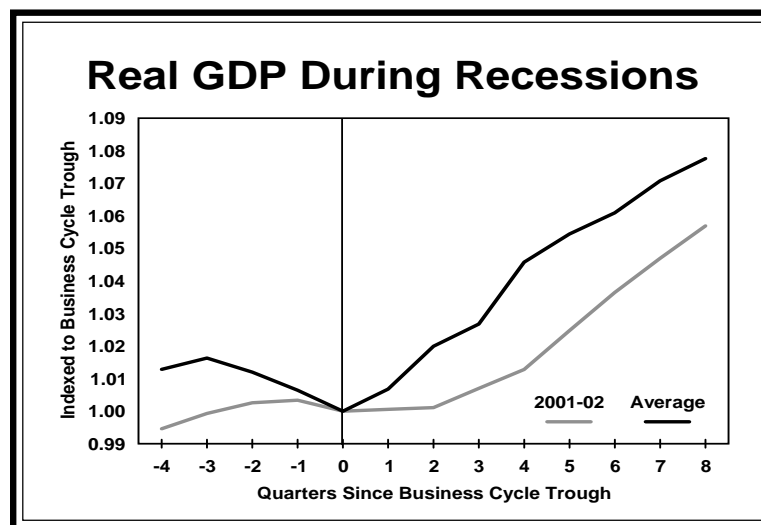


# Washington Economic and Revenue Forecast



February 2002  
Volume XXV, No. 1

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### Explanation of the Cover Graph

*The cover chart compares the forecast of real GDP during the current recession with the average of the six recessions of the 1960s, 1970s, 1980s, and 1990s. Real GDP is indexed to equal one at each business cycle trough. The February 2002 economic and revenue forecast assumes that the current recession is over, at least in terms of GDP growth. The recession was the briefest and mildest on record in terms of the GDP drop with only a single quarterly decline of just 0.3 percent from the peak in the second quarter of 2001 to the trough in the third quarter. The average decline of the previous six recessions was 2.0 percent. The forecast also assumes an unusually anemic recovery. GDP is expected to rise only 1.3 percent during the first four quarters of the recovery compared to the average increase of 4.6 percent.*

**This publication is available on the Internet at <http://www.wa.gov/ofc/>**

# Washington Economic and Revenue Forecast

Prepared by the  
Office of the Forecast Council

February 2002  
Volume XXV, No. 1

# Preface

The Office of the Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year.

Copies are available to Washington State businesses and residents for \$4.50 per copy, and to those out-of-state for \$9.00 per copy. You may contact our office for more subscription information at (360) 570-6100 or by writing the Office of the Forecast Council, Post Office Box 40912, Olympia, WA 98504-0912.

You may also access this report on our website at [www.wa.gov/ofc/](http://www.wa.gov/ofc/).

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# Executive Summary

## U.S. Economic Forecast

The February 2002 economic and revenue forecast incorporates the advance GDP estimate for the fourth quarter of 2001. According to the advance estimate, real GDP rose at a 0.2 percent annual rate in the fourth quarter. According to the current GDP estimates, the recession was the briefest and mildest on record in terms of the GDP drop with only a single quarterly decline of just 0.3 percent from the peak to the trough. Final sales rose at a strong 2.5 percent rate in the fourth quarter due mainly to a surge of motor vehicle purchases as consumers responded to zero percent financing incentives. The incentives were used to reduce inventories and therefore had little impact on production, however. What strength there was in the fourth quarter was due to consumers and the government. The decline in fixed investment accelerated in the fourth quarter due largely to a sharp drop in nonresidential construction while the drag from declining net exports continued.

Despite positive GDP growth in the fourth quarter of 2001, payroll employment fell at a sharp 2.6 percent annual rate and the unemployment rate increased from 4.83 percent in the third quarter to 5.60 percent in the fourth quarter. The Consumer Price Index actually fell at a 0.4 percent rate in the fourth quarter of 2001 but this was due to declining energy prices. Core inflation (excluding food and energy) crept up to 2.7 percent in the fourth quarter from 2.5 percent in the third quarter. Housing starts fell at a 7.4 percent rate to 1.571 million units in the fourth quarter even though the mortgage rate declined to 6.78 percent in the fourth quarter from 6.97 percent in the third quarter. At its December 11<sup>th</sup> meeting, the Federal Reserve made its eleventh consecutive rate cut in less than a year. The fed funds rate now stands at 1.75 percent, the lowest since 1961. The Fed left its target rate unchanged at the January 30 meeting.

The February 2002 forecast is the first to extend through 2005. The February U.S. forecast is similar to the November 2001 forecast with slightly more real GDP growth in 2002 but slightly less growth in 2003. On a calendar year basis, the forecast expects real GDP to grow 1.0 percent in 2002, down slightly from the 1.1 percent increase registered in 2001. The weak calendar year growth rate masks the improving trend during 2002, however. The forecast expects one more weak but positive quarter in the first quarter of 2002 with moderate growth returning in the second and third quarters. By the end of the year a vigorous recovery will be under way. The forecast expects GDP growth to improve to 4.0 percent in 2003 and 3.9 percent in 2004 before settling back to 3.0 percent in 2005. The nation's unemployment rate, which was down to 3.97 percent in the fourth quarter of 2000, is expected to rise to 6.18 percent by the third quarter of 2002. The unemployment

rate is expected to decline throughout 2003 and 2004 as the economy recovers, reaching 4.99 percent by the end of 2004. Inflation, as measured by the implicit price deflator for personal consumption expenditures, is expected to decline from 1.9 percent in 2001 to 1.0 percent in 2002. The improvement in 2002 is mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.2 percent, 2.3 percent, and 2.2 percent in 2003, 2004, and 2005. The forecast assumes that the Fed is done easing for this cycle and will begin raising its target rate at the May 7 meeting of the FOMC.

## **Washington State Economic Forecast**

Washington payroll employment fell at a 3.2 percent rate in the fourth quarter of 2001 following a 2.4 percent drop in the third quarter and a 2.5 percent reduction in the second quarter. Excluding the impact of a seasonal anomaly in local education employment, the fourth quarter decline would have been 2.6 percent following a 2.9 percent decline in the third quarter. The employment decline over the last three quarters already exceeds 2.0 percent. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at a 9.9 percent annual rate in the fourth quarter, the fourteenth consecutive decline in overall manufacturing employment excluding the impact of the 2001 aerospace labor dispute. Aerospace employment growth turned negative in the fourth quarter, falling at a 10.7 annual rate, as the first of the Boeing layoffs was recorded in December. Aerospace employment had risen in each of the previous three quarters. Manufacturing employment other than aerospace fell at a 9.6 percent rate in the fourth quarter. Nonmanufacturing employment declined at a 2.2 percent annual rate in the fourth quarter of 2001 (1.6 percent excluding the state and local government seasonal anomaly). Nearly every nonmanufacturing sector was weak in the quarter including transportation, communications, and utilities (down 7.1 percent), construction (down 6.8 percent), trade (down 3.9 percent) and services (down 1.8 percent). Finance, insurance, and real estate employment rose at a 5.2 percent rate thanks to the finance sector, which is benefiting from a surge in refinancing activity, and federal government employment rose at a 3.1 percent rate. State and local government employment was unchanged in the fourth quarter only because of the seasonal adjustment problem with local government education. Excluding that anomaly, state and local government employment would have risen at a 3.6 percent rate in the fourth quarter.

Washington's personal income in the third quarter of 2001 was \$0.382 billion (0.2 percent) lower than expected in the November forecast. Wage and salary disbursements were \$0.248 billion (0.2 percent) lower than expected. Software wages were \$1.367 billion (20.6 percent) higher than expected. Other wages, however, were \$1.616 billion (1.5 percent) lower than expected in November. Nonwage personal income in the third quarter of 2001 was \$0.133 billion (0.2 percent) lower than expected in November.

The number of housing units authorized by building permit fell 4,100 to 35,500 in the fourth quarter of 2001 from 39,600 in the third quarter. Single family permits fell 1,800 to 26,000 while the number of multi-family units authorized fell 2,200 to 9,500.

Though the U.S. economy appears to be on the verge of recovering from a relatively shallow recession, it now appears that the state's employment downturn has been more severe than in all but two of the recessions of the last forty years (1981-82 and 1969-71). Construction and business services were particularly weak in 2001. The construction industry shed 12,500 jobs between January and December. Business services employment fell 20,000 over the same period due in part to temporary help services, where employment was down 6,000 through September. Computer and

data processing services other than software fell 6,500 from January to December reflecting the dot com shakeout. Employment in catalog and mail-order houses, home of major e-tailers such as Amazon.com, held up surprisingly well in 2001, declining only 800 from January to September. The aerospace forecast for Washington is essentially unchanged since November. There was an unexpectedly sharp decline in December, which appears to be a reflection of the December 14 layoffs. We had assumed that those layoffs would be reflected in January. Aside from that timing issue, the overall decline in Boeing employment is the same as assumed in November though the layoffs have been accelerated to reflect the WARN notices received so far. The software wage assumption is also nearly identical to the November forecast. As in November, the forecast assumes there will be no major fluctuations in Microsoft stock option activity.

Wage and salary employment fell 0.2 percent in 2001 following a 2.3 percent increase in 2000. The combination of a national recession and severe cutbacks in aircraft manufacturing is expected to result in a 1.3 percent decline in 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and Boeing is expected to continue reducing its workforce through 2003. The forecast calls for an employment growth rate of 1.4 percent in 2003, improving to 2.3 percent per year in 2004 and 2005. Washington personal income growth slowed sharply in 2001 to 2.5 percent in 2000 from 5.7 percent in 2000. Excluding the volatile software sector the slowdown was from 7.1 percent to 3.2 percent. Even slower growth is expected 2002 due to the weak national economy and Boeing layoffs. The forecast expects personal income to grow just 1.3 percent in 2002, recovering to 5.0 percent in 2003, 5.7 percent in 2004, and 5.4 percent in 2005. Housing activity is also expected to decline over the next two years. In the near term, declining consumer confidence, rising unemployment, and weak income and population growth will outweigh the favorable impact of lower mortgage rates. Though a modest recovery is expected in 2003, mortgage rates will be rising. The forecast expects housing permits to decline from 39,800 in 2001 to 37,600 in 2002 and 36,400 in 2003. The end of the Boeing cutbacks and a resumption of stronger population growth should benefit housing in the final two years. The forecast calls for 38,800 units in 2004 and 41,400 units in 2005.

## **Washington State Revenue Forecast**

Though the U.S. economy appears poised for a gradual recovery in 2002, newly available employment and income data suggest that the state's economic downturn has been more severe than expected in November. In particular, the construction and information technology industries have contracted more rapidly than previously believed even before the aerospace cutbacks began in December. Lower than expected revenue collections since the last forecast confirm the state's economic weakness. As a result, we have lowered our revenue forecast for the 2001-03 biennium. The General Fund-State revenue forecast for the 2001-03 biennium is \$20,962 million, which is \$247 million (1.2 percent) lower than the November estimate. This forecast is the first to extend through the 2003-05 biennium. The forecast for the next biennium is \$22,790 million, an increase of 8.7 percent from the current biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 biennium. The forecast based on more optimistic economic assumptions netted \$577 million (2.8 percent) more revenue than did the baseline forecast while the pessimistic scenario was \$483 million (2.3 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$22 million (0.1 percent) more revenue than did the baseline forecast.

# Washington State and U.S. Economic Forecasts

## Recent U.S. Economic Activity

The February 2002 economic and revenue forecast incorporates the advance GDP estimate for the fourth quarter of 2001. According to the advance estimate, real GDP rose at a 0.2 percent annual rate in the fourth quarter. According to the current GDP estimates, the recession was the briefest and mildest on record in terms of the GDP drop with only a single quarterly decline of just 0.3 percent from the peak to the trough. Final sales rose at a strong 2.5 percent rate in the fourth quarter due mainly to a surge of motor vehicle purchases as consumers responded to zero percent financing incentives. The incentives were used to reduce inventories and therefore had little impact on production, however. What strength there was in the fourth quarter was due to consumers and the government. The 5.4 percent increase in consumer spending in the fourth quarter was distorted by the incentives, of course, but non-auto durable goods spending was also quite strong while purchases of nondurable goods and services advanced moderately. Government spending increased 9.2 percent in the quarter as federal defense, federal civilian, and state and local government purchases were each up more than 9 percent. The decline in fixed investment accelerated to 11.1 percent in the fourth quarter due largely to a 31.0 percent drop in nonresidential construction. Business purchases of equipment and software continued to decline in the fourth quarter while residential fixed investment registered its first reduction in a year. The drag from declining net exports continued as a 3.4 percent decline in imports was overwhelmed by 12.4 percent slump in exports.

Despite positive GDP growth in the fourth quarter of 2001, payroll employment fell at a sharp 2.6 percent annual rate and the unemployment rate increased from 4.83 percent in the third quarter to 5.60 percent in the fourth quarter. The Consumer Price Index actually fell at a 0.4 percent rate in the fourth quarter of 2001 but this was due to declining energy prices. Core inflation (excluding food and energy) crept up to 2.7 percent in the fourth quarter from 2.5 percent in the third quarter. Housing starts fell at a 7.4 percent rate to 1.571 million units in the fourth quarter even though the mortgage rate declined to 6.78 percent in the fourth quarter from 6.97 percent in the third quarter. At its December 11th meeting, the Federal Reserve made its eleventh consecutive rate cut in less than a year. The fed funds rate now stands at 1.75 percent, the lowest since 1961. The Fed left its target rate unchanged at the January 30 meeting.

## U.S. Forecast Highlights

The February 2002 forecast is the first to extend through 2005. The February U.S. forecast is similar to the November 2001 forecast with slightly more real GDP growth in 2002 but slightly less growth in 2003. On a calendar year basis, the forecast expects real GDP to grow 1.0 percent in 2002, down slightly from the 1.1 percent increase registered in 2001. The weak calendar year growth rate masks the improving trend during 2002, however. The forecast expects one more weak but positive quarter in the first quarter of 2002 with moderate growth returning in the second and third quarters. By the end of the year a vigorous recovery will be under way. The forecast expects GDP growth to improve to 4.0 percent in 2003 and 3.9 percent in 2004 before settling back to 3.0 percent in 2005. The nation's unemployment rate, which was down to 3.97 percent in the fourth quarter of 2000, is expected to rise to 6.18 percent by the third quarter of 2002. The unemployment rate is expected to decline throughout 2003 and 2004 as the economy recovers, reaching 4.99 percent by the end of 2004. Inflation, as measured by the implicit price deflator for personal consumption expenditures, is expected to decline from 1.9 percent in 2001 to 1.0 percent in 2002. The improvement in 2002 is mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.2 percent, 2.3 percent, and 2.2 percent in 2003, 2004, and 2005. The forecast assumes that the Fed is done easing for this cycle and will begin raising its target rate at the May 7 meeting of the FOMC.

1. The recession that officially began last March is probably already bottoming out. A combination of factors has conspired to keep the downturn brief and mild including tax cuts and interest rate cuts that were already in the pipeline, increases in defense and homeland security spending in the wake of September 11, and surprisingly confident and resilient U.S. consumers. Real GDP grew only 2.7 percent in fiscal 2001 after four consecutive years in excess of 4 percent. The forecast expects just 0.2 percent growth in the current fiscal year followed by a 2.8 percent gain in 2003. After a slow start, the recovery is expected to pick up steam in the final two years of the forecast with GDP rising 4.2 percent in 2004 and 3.3 percent in 2005.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, increased to 2.5 percent in fiscal 2001 from 2.3 percent in 2000 and a 36-year-low 1.2 percent in 1999. The recent increase was largely the result of a surge in energy prices but core inflation has also been rising. The recent drop in energy costs will push inflation well below trend in 2002 while the slack created by the recession and weak recovery should prevent a strong resurgence in inflation. The forecast expects the implicit price deflator to rise 1.0 percent this year, edging up to 1.7 percent in 2003 and 2.3 percent per year in 2004 and 2005.
3. Prompted by increasing signs of a rapidly slowing economy and the decline in the stock market, the Federal Reserve began easing interest rates well in advance of the recession, cutting the federal funds rate a total of 300 basis points from January to August of 2001. Since September 11 the Fed has lowered its target rate another 175 basis points to just 1.75 percent. The forecast assumes that the Fed is done easing for this cycle and will reverse course in the second quarter of 2002 as the economy begins to show signs of renewal. The three-month Treasury bill rate slipped to 5.13 percent in fiscal 2001 from 5.23 percent in 2000. The T-bill rate is expected to decline to 2.15 percent in fiscal 2002 reflecting the aggressive Fed easing. The forecast expects an increase in the T-bill rate to 2.70 percent in

2003, 4.43 percent in 2004, and 4.62 percent in 2005 as the economy improves and the Fed becomes less accommodating. Mortgage rates also declined in fiscal 2001 to 7.45 percent from 8.05 percent in 2000 as a result of the easier monetary policy as well as the slumping economy. The forecast expects the mortgage rate to decline further to 6.91 percent in 2002 before increasing to 7.24 percent in 2003, 7.56 percent in 2004, and 7.43 percent in 2005.

4. In spite of lower mortgage interest rates, housing starts fell 4.0 percent in fiscal 2001 to 1.574 million units. The forecast assumes that housing will remain steady in 2002 in spite of the recession as even lower mortgage rates largely offset the depressing impacts of rising unemployment and declining consumer confidence. The forecast expects housing starts to remain at 1.574 million units in 2002, slipping 0.3 percent to 1.570 million units in 2003. Only a modest recovery is expected in the next two years as the beneficial impact of an improving economy is offset by another upturn in interest rates. The forecast calls for a 0.9 percent increase to 1.584 million units in 2004 followed by a 3.6 percent increase to 1.640 million units in 2005.
5. The nation's unemployment rate rose slightly in fiscal 2001 to 4.19 percent from a 30-year low 4.09 percent in 2000. On a quarterly basis the unemployment rate has already risen from 3.97 percent in the fourth quarter of 2000 to 5.60 percent in the fourth quarter of 2001. By the third quarter of this year it is expected to reach a peak of 6.18 percent. Because the starting rate was relatively low and the recession is expected to be mild, this peak is among the lowest in postwar history, however. On a fiscal year basis, the forecast expects the unemployment rate to climb to 5.57 percent in 2002 and 6.06 percent in 2003 before declining to 5.38 percent and 5.01 percent in 2004 and 2005.
6. The federal budget surplus (national income and product accounts basis) continued to grow in fiscal 2001, rising to \$211.1 billion from \$174.3 billion in 2000. This was probably last meaningful surplus in the foreseeable future. The recently enacted tax cuts and the recession cut sharply into the surplus. On top of this, the forecast assumes additional military and homeland security spending. A slight \$33.5 billion is expected in fiscal 2002 followed by deficits of \$22.9 billion, \$22.0 billion, and \$25.8 billion during the next three years.
7. The foreign sector continues to be a drag on GDP growth. The trade deficit (national income and product accounts basis) increased in fiscal 2001 to \$370.6 billion from \$311.8 billion in 2000. Weak growth abroad and the strong dollar will cause exports to decline in 2002 but the U.S. recession will result in an even larger drop in imports. As a result, the trade deficit is expected to diminish slightly in 2002 to \$343.4 billion. Since the U.S. recovery is expected to lead recoveries abroad, the trade gap will widen in 2003 to \$432.5 billion. The forecast expects a trade gap of \$437.6 billion in 2004 and \$449.2 billion in 2005.

Table 1.1 provides a fiscal year summary of the U.S. economic indicators.

## Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through December 2001. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington payroll employment fell at a 3.2 percent rate in the fourth quarter of 2001 following a 2.4 percent drop in the third quarter and a 2.5 percent reduction in the second quarter. Excluding the impact of a seasonal anomaly in local education employment, the



fourth quarter decline would have been 2.6 percent following a 2.9 percent decline in the third quarter. The employment decline over the last three quarters already exceeds 2.0 percent. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at a 9.9 percent annual rate in the fourth quarter, the fourteenth consecutive decline in overall manufacturing employment excluding the impact of the 2001 aerospace labor dispute. Aerospace employment growth turned negative in the fourth quarter, falling at a 10.7 annual rate, as the first of the Boeing layoffs was recorded in December. Aerospace employment had risen in each of the previous three quarters. Manufacturing employment other than aerospace fell at a 9.6 percent rate in the fourth quarter. Nonmanufacturing employment declined at a 2.2 percent annual rate in the fourth quarter of 2001 (1.6 percent excluding the state and local government seasonal anomaly). Nearly every nonmanufacturing sector was weak in the quarter including transportation, communications, and utilities (down 7.1 percent), construction (down 6.8 percent), trade (down 3.9 percent) and services (down 1.8 percent). Finance, insurance, and real estate employment rose at a 5.2 percent rate thanks to the finance sector, which is benefiting from a surge in refinancing activity, and federal government employment rose at a 3.1 percent rate. State and local government employment was unchanged in the fourth quarter only because of the seasonal adjustment problem with local government education. Excluding that anomaly, state and local government employment would have risen at a 3.6 percent rate in the fourth quarter.

In January 2002 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2001 and released preliminary estimates for the third quarter. In addition, the wage estimates for the first three quarters of 2001 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see **Adjustments to Economic Data**). According to the adjusted estimates, Washington's personal income in the third quarter of 2001 was \$0.382 billion (0.2 percent) lower than expected in the November forecast. Wage and salary disbursements were \$0.248 billion (0.2 percent) lower than expected. Software wages were \$1.367 billion (20.6 percent) higher than expected. Other wages, however, were \$1.616 billion (1.5 percent) lower than expected in November. Nonwage personal income in the third quarter of 2001 was \$0.133 billion (0.2 percent) lower than expected in November.

The number of housing units authorized by building permit fell 4,100 to 35,500 in the fourth quarter of 2001 from 39,600 in the third quarter. Single family permits fell 1,800 to 26,000 while the number of multi-family units authorized fell 2,200 to 9,500.

## **Adjustments to Economic Data**

This forecast utilizes an alternative employment estimate developed by the Department of Employment Security and the Office of the Forecast Council. The alternative employment estimate incorporates the covered employment and payrolls data through the third quarter of 2001 which subtracts 48,400 (1.8 percent) from the Current Employment Statistics (CES) estimate for September 2001. In addition, the growth pattern from September 2001 through December 2001 has been adjusted to reflect the average historical revision between the preliminary (sample based) estimates and the final (covered employment and payrolls based) estimates adding back 9,800 (0.4 percent). The net effect of the adjustments was to reduce the December 2001 employment estimate by 38,700 (1.5 percent).

The BEA will eventually benchmark its 2001 estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal

government. In addition, we have one more quarter of ES202 data than was available to the BEA at the time of its most recent release. For these reasons, we derived wage estimates for these sectors for the first three quarters of 2001 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments reduced the third quarter wage estimate by \$4.548 billion (3.9 percent) subtracting 2.3 percent from total personal income in that quarter.

## Washington State Forecast Highlights

Though the U.S. economy appears to be on the verge of recovering from a relatively shallow recession, it now appears that the state's employment downturn has been more severe than in all but two of the recessions of the last forty years (1981-82 and 1969-71). Construction and business services were particularly weak in 2001. The construction industry shed 12,500 jobs between January and December. Business services employment fell 20,000 over the same period due in part to temporary help services, where employment was down 6,000 through September. Computer and data processing services other than software fell 6,500 from January to December reflecting the dot com shakeout. Employment in catalog and mail-order houses, home of major e-tailers such as Amazon.com, held up surprisingly well in 2001, declining only 800 from January to September. The aerospace forecast for Washington is essentially unchanged since November. There was an unexpectedly sharp decline in December, which appears to be a reflection of the December 14 layoffs. We had assumed that those layoffs would be reflected in January. Aside from that timing issue, the overall decline in Boeing employment is the same as assumed in November though the layoffs have been accelerated to reflect the WARN notices received so far. The software wage assumption is also nearly identical to the November forecast. As in November, the forecast assumes there will be no major fluctuations in Microsoft stock option activity.

Wage and salary employment fell 0.2 percent in 2001 following a 2.3 percent increase in 2000. The combination of a national recession and severe cutbacks in aircraft manufacturing is expected to result in a 1.3 percent decline in 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and Boeing is expected to continue reducing its workforce through 2003. The forecast calls for an employment growth rate of 1.4 percent in 2003, improving to 2.3 percent per year in 2004 and 2005. Washington personal income growth slowed sharply in 2001 to 2.5 percent in 2000 from 5.7 percent in 2000. Excluding the volatile software sector the slowdown was from 7.1 percent to 3.2 percent. Even slower growth is expected 2002 due to the weak national economy and Boeing layoffs. The forecast expects personal income to grow just 1.3 percent in 2002, recovering to 5.0 percent in 2003, 5.7 percent in 2004, and 5.4 percent in 2005. Housing activity is also expected to decline over the next two years. In the near term, declining consumer confidence, rising unemployment, and weak income and population growth will outweigh the favorable impact of lower mortgage rates. Though a modest recovery is expected in 2003, mortgage rates will be rising. The forecast expects housing permits to decline from 39,800 in 2001 to 37,600 in 2002 and 36,400 in 2003. The end of the Boeing cutbacks and a resumption of stronger population growth should benefit housing in the final two years. The forecast calls for 38,800 units in 2004 and 41,400 units in 2005.

1. Nominal personal income growth slowed sharply in fiscal 2001 to 3.6 percent from 7.5 percent the previous year. While employment growth slowed slightly in fiscal 2001, the main reason for the slowdown in personal income growth was the software sector where the

value of exercised stock options plummeted. Excluding the impact of software stock options on personal income, there would have been an increase in personal income growth in 2001 to 6.3 percent from 5.7 percent in 2000. The forecast assumes that changes in software stock option income will not be a major factor in personal income growth during the next four years. The forecast assumes that declining employment and weak wage growth in 2002 cause Washington personal income growth to fall to just 1.0 percent in fiscal 2002 before recovering to 3.5 percent in 2003. In the final two years of the forecast the U.S. economy is expected to be fully recovered and aerospace employment will finally turn around. The forecast expects personal income growth to improve to 5.7 percent in 2004 and 5.6 percent in 2005.

2. Washington real personal income growth plummeted to just 1.1 percent in fiscal 2001 from 5.1 percent in 2000 and more than 6 percent for each of the prior three years. The decline in 2001 was mainly due to the drop in nominal income growth, but inflation was also slightly higher. No real personal income growth is expected in 2002 in spite of a record low inflation rate and just 1.7 percent growth is expected in 2003. The forecast calls for real personal income growth to improve to 3.3 percent and 3.2 percent in 2004 and 2005.
3. The massive aerospace employment reductions abated in fiscal 2001 just as a host of other manufacturing industries went into decline. At the same time, a four-year construction boom came to an abrupt halt. Due largely to these factors, overall employment growth continued to slow in fiscal 2001 to 1.4 percent from 2.3 percent the previous year. The events of September 11 will be particularly hard on Washington employment growth in the next two years. The national recession will be felt here, of course, but the nature of the attacks with its devastating impact on air transportation will result in a much more severe blow to the Washington economy than to the U.S. economy. In addition, Washington's construction and information technologies industries are declining rapidly. The forecast expects an employment decline of 1.7 percent in fiscal 2002 followed by a scant 0.2 percent upturn in fiscal 2003. Better employment growth is expected in the next biennium with growth rates of 1.9 percent in fiscal 2004 and 2.4 percent in 2005.
  - ◆ Lumber and wood products employment fell 500 in the fourth quarter of 2001 to 30,000. The decline since the beginning of 2000 has been 3,900. The monthly data through December suggest a loss of another 200 jobs in the first quarter of 2002. The forecast assumes that the first quarter is the trough in the current downturn. Though Washington's lumber and wood products employment growth is expected to continue to trail the national average, employment is expected to continue to rise throughout the remainder of the forecast. The forecast expects an increase of about 2,600 by the end of 2005 with most of the growth occurring in 2003 and 2004.
  - ◆ Prior to September 11, it appeared that the aerospace downturn, which resulted in the loss of 27,400 between the second quarter of 1998 and the end of 2000, was over. Washington aerospace employment actually rose 2,000 during the first three quarters of 2001. In the wake of the attacks, Boeing announced that it intended to cut 20,000 to 30,000 jobs company-wide. The vast majority of the reductions will be in Washington State, the home of the commercial airplane unit. The first cuts were registered in the fourth quarter of 2001 when the aerospace sector lost 2,500 jobs. Overall, the forecast assumes a decline of 23,600 aerospace workers and another 2,500 Boeing contract employees

from the third quarter 2001 peak to the end of 2003. About 75 percent of the reductions are expected by the middle of 2002.

- ◆ Washington's four-year construction boom has turned into a bust. Construction employment grew at a 6.9 percent annual rate between the fourth quarter of 1995 and the first quarter of 2000. During the next four quarters growth slowed to just 0.9 percent. Growth turned sharply negative after the first quarter of 2001, with construction employment falling at an 8.1 percent average rate during the next three quarters. The forecast assumes another two quarters of decline at an average rate of 5.7 percent bringing the total peak to trough job loss to 14,400. Though a modest upturn in the economy is expected beginning in the second half of 2002, weak housing activity and slow population growth will prevent a strong rebound in construction employment until 2004. The forecast calls for an average annual growth rate of 1.4 percent during the next six quarters, accelerating to an average rate of 3.3 percent per year in 2004 and 2005.
- ◆ The finance, insurance, and real estate sector was a rare bright spot in Washington's economy in 2001. Employment in this sector rose at a 5.2 percent annual rate in the fourth quarter of 2001 and ended the year 4.6 percent higher than at the end of 2000. The growth was almost entirely in finance, which has clearly benefited by a refinancing boom brought on by low mortgage interest rates. This source of stimulus has probably pretty much played itself out as rates are heading higher again. The forecast assumes growth of only 1.2 percent during 2002, picking up to an average rate of 2.3 percent in 2003, 2004, and 2005.
- ◆ Retail trade employment has suffered severely in this recession. The drop in consumer confidence, slow population growth, and weak economy have been particularly hard on retail trade employment. In addition, much of the troubled dot-com industry is classified as retailing. Employment fell at a 4.2 percent rate in the fourth quarter of 2001 and appears headed for a 3.9 percent drop in the first quarter of this year. If so, the year-over-year decline through the first quarter of 2002 would come to 3.4 percent. Retail trade employment is expected to decline another 0.5 percent by the third quarter before beginning a gradual recovery. The expected average annual growth rate for the rest of the forecast is 1.5 percent.
- ◆ Services employment declined at a 1.8 percent in the fourth quarter of 2001 and 2.1 percent for all four quarters of 2001. Never before has Washington's services sector seen such a sharp year-over-year decline. The year-over-year decline in services was more than accounted for by business services where employment has fallen 11.2 percent over the year. Software employment was unchanged over the year but other computer and data processing services, the home of many information technology companies, plunged 21.0 percent. The rest of business services fell 10.8 percent over the year mainly as a result of cutbacks at temporary help services providers. The forecast assumes that the shakeout in these areas is complete and that software employment growth will pick up. Services employment is expected to grow at an average annual rate of 3.4 percent per year during the next two years, slowing to 3.0 percent per year during 2004 and 2005.
- ◆ State and local government employment was unchanged in the fourth quarter of 2001. We believe the third quarter level was overstated due to a problem with the seasonal

adjustment of local education employment and that the true growth rate in the fourth quarter was 3.6 percent. The growth over the entire year was a healthy 3.1 percent. The slowdown in the state's economy is putting pressure on state and local governments' budgets and is expected to affect employment in this sector with a lag. The forecast assumes that state and local government employment will grow only 0.4 percent this year on a year-over-year basis and will decline 0.8 percent next year. The weak nature of the recovery coupled with essentially no growth in the school age population is expected to restrain growth during to just 0.4 percent per year during the final eight quarters of the forecast.

4. Declining mortgage rates helped boost the number of housing units authorized by building permit by 4.5 percent in fiscal 2001 to 41,100 from 39,300 in 2000. In spite of still lower mortgage rates in 2002, housing activity is expected to decline due lower consumer confidence, rising unemployment, weak income growth and slow population growth. Still lower population growth and an increase in the mortgage rate are expected to more than offset the beneficial impact of a slightly stronger economy in 2003. The forecast expects an 8.4 percent decline in housing permits to 37,600 units in fiscal 2002 and another 1.9 percent decline to 36,900 units in 2003. The forecast expects a slight 0.7 percent increase to 37,200 in 2004 and a stronger 8.4 percent increase to 40,300 in 2005 as more rapid population growth resumes.
5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased in fiscal 2001 to 4.0 percent from 3.2 percent in 2000. The comparable U.S. inflation rate increased from 2.9 percent to 3.4 percent during the same period. Rising energy costs were partly to blame for the worsening inflation in Seattle as well as elsewhere in the nation. Excluding energy, Seattle's CPI inflation would still have increased to 3.2 percent in 2001 from 2.6 percent in 2001 while the U.S. index increased from 2.1 percent to 2.6 percent. Based on experience through the first half of fiscal 2002, it appears that Seattle inflation will exceed U.S. inflation this year as well. The forecast calls for an increase of 2.8 percent in the Seattle CPI compared to 1.7 percent for the U.S. index. Seattle inflation is expected to drop below U.S. inflation in during the remainder of the forecast due to the slump in the local economy. The forecast expects inflation rates of 2.0 percent, 2.0 percent, and 2.2 percent in Seattle compared to 2.1 percent, 2.4 percent, and 2.5 percent for the U.S. city average.

Table 1.2 provides a fiscal year summary of the state economic indicators.

## **Alternative Forecasts**

As required by statute, the Forecast Council has also adopted two alternatives to the baseline forecast. One of these was based on more optimistic economic assumptions than the baseline and one was based on more pessimistic assumptions. These alternatives are summarized in Table 1.3.

Recent economic indicators imply that the U.S. economy is either bottoming out or has turned the corner. In the optimistic scenario, the turnaround happens sooner and is a bit stronger than in the baseline. The scenario assumes that the rest of the world grows faster than assumed in the baseline, resulting in higher U.S. exports. It also assumes that nonresidential construction, which has already dropped 13.5% from its peak level, stops contracting. Finally, it assumes that consumers spend

more than in the baseline, particularly on durable goods such as autos. By the second quarter, the economy is on a solid growth track. At the state level, the initial level of personal income is higher in the optimistic forecast and wages and prices grow faster. Washington aerospace employment begins rising in the fourth quarter of this year rather than continuing to decline throughout 2003 as in the baseline scenario. Construction employment also turns up earlier and more vigorously than in the baseline and population growth was also enhanced in the optimistic alternative. By the end of the 2001-03 biennium, Washington nonagricultural employment is higher by 53,600 jobs than in the baseline forecast and Washington personal income is \$7.7 billion higher. The optimistic scenario generated \$577 million (2.8 percent) more revenue in the 2001-03 biennium than did the baseline forecast.

The pessimistic alternative assumes an effort to topple Saddam Hussein. Should the action take an unintended course, perhaps by Israel becoming involved, oil flows could be compromised. As hostilities escalate, the United States finds its Middle Eastern allies (other than Israel) deserting it, and the normal flood of oil slows to a trickle. Inflation accelerates as the economy tries to provide both guns and butter while energy prices are surging. The Federal Reserve responds to the accelerating inflation by ramping up the federal funds rate. The higher interest rate takes effect about the time military activity winds down, resulting in a sharp, but short recession. Real GDP falls 2.2% from peak to trough over the second and third quarters of 2003. At the state level, aerospace production and employment cuts are even more severe than assumed in the baseline forecast. Washington's wage growth and inflation are relatively slow and Washington personal income is lower. Population growth is also slower in this scenario and the 2001-02 correction in construction employment is much more severe than in the baseline forecast. By the end of the 2001-03 biennium, Washington nonagricultural employment is lower by 49,400 jobs than in the baseline forecast and Washington personal income is \$6.9 billion lower. The pessimistic scenario produced \$483 million (2.3 percent) less General Fund-State revenue in the 2001-03 biennium than did the baseline forecast.

## **Governor's Council of Economic Advisors Scenario**

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. Nationally the Governor's Council scenario was virtually the same as the baseline forecast. The GCEA forecasts for GDP growth and inflation were the same as the baseline forecast in fiscal 2002 but both were slightly lower in 2003. The Council members expected slightly higher long and short term interest rates in both years. Overall, the GCEA forecasts for Washington State were also very similar to the baseline forecast. In 2002, the Governor's Council forecasts for employment growth as well as both real and nominal income growth were virtually identical to the baseline forecast while in 2003 all three were slightly stronger than the baseline. The GCEA housing forecast was lower than the baseline in 2002 but higher in 2003. At the end of the 2001-03 biennium, Washington nonagricultural employment was 3,100 higher in the GCEA forecast than in the baseline forecast but their Washington personal income forecast was \$0.3 billion lower. The Governor's Council scenario generated \$22 million (0.1 percent) more revenue in the 2001-03 biennium than did the baseline forecast.

Table 1.1  
**U.S. Economic Forecast Summary**  
Forecast 2002 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	8,332.2	8,675.3	9,063.3	9,310.1	9,330.6	9,592.0	9,994.3	10,327.0
% Ch	4.4	4.1	4.5	2.7	0.2	2.8	4.2	3.3
Real Consumption	5,551.4	5,822.1	6,120.4	6,362.5	6,504.1	6,684.2	6,920.0	7,125.7
% Ch	4.4	4.9	5.1	4.0	2.2	2.8	3.5	3.0
Real Nonresidential Fixed Investment	1,078.9	1,179.9	1,291.0	1,360.1	1,255.3	1,281.0	1,388.4	1,492.9
% Ch	13.5	9.4	9.4	5.3	-7.7	2.0	8.4	7.5
Real Residential Fixed Investment	329.7	360.5	372.9	370.7	375.1	378.1	381.3	388.4
% Ch	4.3	9.4	3.4	-0.6	1.2	0.8	0.9	1.9
Real Personal Income	7,004.8	7,329.8	7,570.2	7,874.3	8,021.7	8,203.9	8,487.9	8,730.7
% Ch	5.1	4.6	3.3	4.0	1.9	2.3	3.5	2.9
Real Per Capita Income (\$/Person)	25,983	26,945	27,581	28,434	28,707	29,098	29,844	30,434
% Ch	4.1	3.7	2.4	3.1	1.0	1.4	2.6	2.0
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.088	1.099	1.117	1.142	1.169
% Ch	1.4	1.2	2.3	2.5	1.0	1.7	2.3	2.3
U.S. Consumer Price Index (1982-84=1.0)	1.619	1.646	1.694	1.752	1.782	1.819	1.863	1.910
% Ch	1.8	1.7	2.9	3.4	1.7	2.1	2.4	2.5
Employment Cost Index (June 1989=1.0)	1.329	1.380	1.431	1.488	1.537	1.578	1.630	1.682
% Ch	3.9	3.8	3.8	3.9	3.3	2.6	3.3	3.1
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	8,548.6	9,013.9	9,586.6	10,077.4	10,271.8	10,718.3	11,401.0	12,035.1
% Ch	6.0	5.4	6.4	5.1	1.9	4.3	6.4	5.6
Personal Income	7,178.5	7,604.4	8,033.4	8,564.0	8,812.6	9,165.6	9,697.8	10,203.6
% Ch	6.6	5.9	5.6	6.6	2.9	4.0	5.8	5.2
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	137.0	138.6	140.3	141.3	142.4	144.1	146.0	148.1
Total U.S. Employment	130.6	132.5	134.5	135.4	134.4	135.4	138.2	140.7
Unemployment Rate (%)	4.65	4.38	4.09	4.19	5.57	6.06	5.38	5.01
Wage and Salary Employment	124.31	127.36	130.54	132.31	131.65	132.52	135.18	137.71
% Ch	2.6	2.5	2.5	1.4	-0.5	0.7	2.0	1.9
Manufacturing	18.81	18.67	18.51	18.23	17.15	16.83	17.28	17.56
% Ch	1.4	-0.8	-0.9	-1.5	-5.9	-1.9	2.6	1.6
Durable Manufacturing	11.17	11.15	11.12	11.01	10.22	9.88	10.01	10.13
% Ch	2.7	-0.1	-0.3	-0.9	-7.2	-3.3	1.3	1.2
Nondurable Manufacturing	7.64	7.52	7.39	7.22	6.94	6.95	7.26	7.43
% Ch	-0.5	-1.6	-1.7	-2.3	-3.9	0.2	4.5	2.3
Nonmanufacturing	105.50	108.69	112.03	114.07	114.49	115.68	117.90	120.15
% Ch	2.9	3.0	3.1	1.8	0.4	1.0	1.9	1.9
Services	36.81	38.27	39.82	40.88	41.09	42.12	43.37	44.38
% Ch	4.5	4.0	4.0	2.7	0.5	2.5	3.0	2.3
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	20.3	20.5	21.0	21.7	21.9	21.7	22.0	22.3
Auto Sales (Millions)	8.2	8.3	9.0	8.5	7.8	7.8	8.0	7.7
% Ch	-2.1	2.2	7.8	-5.0	-8.2	-0.1	2.5	-4.2
Housing Starts (Millions)	1.530	1.659	1.640	1.574	1.574	1.570	1.584	1.640
% Ch	5.0	8.4	-1.2	-4.0	0.0	-0.3	0.9	3.6
Federal Budget Surplus (Billions)	-1.5	81.1	174.3	211.1	33.5	-22.9	-22.0	-25.8
Net Exports (Billions)	-117.7	-192.5	-311.8	-370.6	-343.4	-432.5	-437.6	-449.2
3-Month Treasury Bill Rate (%)	5.04	4.49	5.23	5.13	2.15	2.70	4.43	4.62
30-Year U.S. Govt. Bond Rate (%)	6.10	5.44	6.14	5.66	5.46	5.91	6.18	6.11
Bond Index of 20 G.O. Munis. (%)	5.24	5.08	5.82	5.35	5.21	5.29	5.32	5.34
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.91	7.24	7.56	7.43

Table 1.2  
**Washington Economic Forecast Summary**  
Forecast 2002 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	152.689	162.140	170.364	172.252	172.182	175.193	181.006	186.785
% Ch	6.4	6.2	5.1	1.1	-0.0	1.7	3.3	3.2
Real Wage and Salary Disb.	87.485	94.764	102.264	101.882	100.494	101.803	105.093	108.601
% Ch	8.6	8.3	7.9	-0.4	-1.4	1.3	3.2	3.3
Real Nonwage Income	65.203	67.376	68.100	70.370	71.687	73.391	75.913	78.184
% Ch	3.7	3.3	1.1	3.3	1.9	2.4	3.4	3.0
Real Per Capita Income (\$/Person)	26,604	27,860	28,937	28,882	28,536	28,737	29,383	29,953
% Ch	4.8	4.7	3.9	-0.2	-1.2	0.7	2.2	1.9
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.088	1.099	1.117	1.142	1.169
% Ch	1.4	1.2	2.3	2.5	1.0	1.7	2.3	2.3
Seattle Cons. Price Index (1982-84=1.0)	1.653	1.702	1.757	1.828	1.878	1.916	1.955	1.998
% Ch	2.9	3.0	3.2	4.0	2.8	2.0	2.0	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.43	15.97	16.41	17.20	17.95	18.17	18.41	18.65
% Ch	3.1	3.5	2.8	4.8	4.3	1.2	1.3	1.3
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	155.977	167.872	180.510	186.867	188.680	195.131	206.161	217.608
% Ch	8.1	7.6	7.5	3.5	1.0	3.4	5.7	5.6
Personal Income	156.480	168.216	180.779	187.337	189.160	195.729	206.807	218.299
% Ch	7.9	7.5	7.5	3.6	1.0	3.5	5.7	5.6
Disposable Personal Income	134.274	143.578	153.234	158.207	161.695	167.935	177.730	187.974
% Ch	7.2	6.9	6.7	3.2	2.2	3.9	5.8	5.8
Per Capita Income (\$/Person)	27,264	28,904	30,705	31,410	31,349	32,105	33,571	35,006
% Ch	6.3	6.0	6.2	2.3	-0.2	2.4	4.6	4.3
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,015.2	3,067.5	3,050.4	3,070.2	3,022.1	3,040.2	3,087.5	3,144.4
Total Washington Employment	2,876.3	2,921.1	2,899.1	2,904.7	2,810.7	2,808.9	2,864.2	2,932.9
Unemployment Rate (%)	4.61	4.77	4.96	5.39	7.00	7.61	7.23	6.73
Wage and Salary Employment	2,558.2	2,621.3	2,682.3	2,719.7	2,674.3	2,679.8	2,731.8	2,796.3
% Ch	3.8	2.5	2.3	1.4	-1.7	0.2	1.9	2.4
Manufacturing	378.5	373.0	356.2	344.7	320.6	304.9	309.9	319.5
% Ch	5.9	-1.5	-4.5	-3.2	-7.0	-4.9	1.7	3.1
Durable Manufacturing	270.0	264.7	247.6	239.2	220.4	204.6	206.5	213.7
% Ch	8.7	-2.0	-6.5	-3.4	-7.9	-7.2	0.9	3.5
Aerospace	111.2	107.7	90.0	86.8	82.5	67.9	65.2	68.4
% Ch	16.1	-3.1	-16.5	-3.5	-5.0	-17.6	-4.0	5.0
Nondurable Manufacturing	108.5	108.3	108.6	105.5	100.2	100.3	103.4	105.9
% Ch	-0.7	-0.2	0.3	-2.9	-5.0	0.1	3.1	2.4
Nonmanufacturing	2,179.7	2,248.4	2,326.2	2,375.0	2,353.7	2,374.9	2,421.9	2,476.8
% Ch	3.4	3.2	3.5	2.1	-0.9	0.9	2.0	2.3
Construction	139.2	148.8	158.6	160.8	151.6	149.4	152.0	157.1
% Ch	4.9	6.9	6.6	1.4	-5.7	-1.4	1.7	3.3
Services	695.0	723.1	759.4	785.7	777.2	800.9	828.4	852.7
% Ch	4.9	4.0	5.0	3.5	-1.1	3.0	3.4	2.9
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	45.127	44.954	39.318	41.087	37.618	36.917	37.163	40.267
% Ch	18.6	-0.4	-12.5	4.5	-8.4	-1.9	0.7	8.4
Single-Family	29.346	28.252	26.387	27.446	26.034	24.231	24.301	26.371
% Ch	12.8	-3.7	-6.6	4.0	-5.1	-6.9	0.3	8.5
Multi-Family	15.780	16.702	12.931	13.641	11.584	12.686	12.862	13.896
% Ch	31.1	5.8	-22.6	5.5	-15.1	9.5	1.4	8.0
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.91	7.24	7.56	7.43



Table 1.3

**Comparison of Alternative Forecasts**

	Fiscal Year 2001				Fiscal Year 2002				Fiscal Year 2003			
	O	B	P	G	O	B	P	G	O	B	P	G
<b>U.S.</b>												
Real GDP	9310.1	9310.1	9310.1	9310.1	9362.5	9330.6	9362.5	9362.5	9716.4	9592.0	9716.4	9716.4
%Ch	2.7	2.7	2.7	2.7	0.6	0.2	0.2	0.2	3.8	2.8	1.5	2.7
Implicit Price Deflator	1.088	1.088	1.088	1.088	1.099	1.099	1.099	1.099	1.118	1.117	1.125	1.117
%Ch	2.5	2.5	2.5	2.5	1.0	1.0	1.0	1.0	1.8	1.7	2.4	1.6
Mortgage Rate	7.45	7.45	7.45	7.45	6.91	6.91	6.92	6.95	7.20	7.24	8.04	7.37
3 Month T-Bill Rate	5.13	5.13	5.13	5.13	2.16	2.15	2.14	2.20	2.74	2.70	3.56	2.86
<b>Washington</b>												
Real Personal Income*	172.252	172.252	172.252	172.252	173.582	172.182	170.969	172.160	180.581	175.193	169.527	175.594
%Ch	1.1	1.1	1.1	1.1	0.8	-0.0	-0.7	-0.1	4.0	1.7	-0.8	2.0
Personal Income	187.337	187.337	187.337	187.337	190.720	189.160	187.827	189.162	201.970	195.729	190.774	196.093
%Ch	3.6	3.6	3.6	3.6	1.8	1.0	0.3	1.0	5.9	3.5	1.6	3.7
Employment	2719.7	2719.7	2719.7	2719.7	2680.4	2674.3	2670.3	2673.7	2720.5	2679.8	2651.4	2687.3
%Ch	1.4	1.4	1.4	1.4	-1.4	-1.7	-1.8	-1.7	1.5	0.2	-0.7	0.5
Housing Permits	41.087	41.087	41.087	41.087	38.676	37.618	36.868	37.233	42.042	36.917	28.256	37.821
%Ch	4.5	4.5	4.5	4.5	-5.9	-8.4	-10.3	-9.4	8.7	-1.9	-23.4	1.6

(O) Optimistic; (B) Baseline; (P) Pessimistic; (G) Governor's Council of Economic Advisors

Table 1.4

**Forecast Analysis**

Comparison of Forecasts for 2001-03

Forecast Date	<b>2000</b>				<b>2001</b>				<b>2002</b>				<b>2003</b>	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
<b>U.S.</b>														
Percent Growth, 2001:2-2003:2														
Real GDP	5.9	6.7	6.8	7.0	7.4	7.0	5.9	4.2	4.3					
Implicit Price Deflator	4.3	4.9	4.8	4.8	4.6	4.6	4.4	3.5	2.8					
Average Rate, 2001:3 to 2003:2														
3 Month T-Bill Rate	5.43	5.87	5.62	5.46	4.67	3.75	3.68	2.75	2.42					
Mortgage Rate	7.61	7.89	7.90	7.42	7.23	7.22	7.12	6.81	7.08					
<b>Washington</b>														
Percent Growth, 2001:2-2003:2														
Employment	3.3	4.0	3.7	3.7	3.4	3.3	2.8	0.0	-0.6					
Personal Income	10.1	11.4	11.3	11.8	11.6	11.3	9.7	5.5	4.2					
Real Personal Income	5.6	6.3	6.1	6.7	6.7	6.4	5.1	1.9	1.4					
Total (Thousands of units), 2001:3 to 2003:2														
Housing Units Authorized	82.1	84.3	82.7	84.8	84.3	78.8	83.2	72.9	74.5					

Table 1.5

Fiscal Years

**Forecast Comparison**

Forecast 2002 to 2003

	1999	2000	2001	2002	2003
<b>U.S.</b>					
<b>Real GDP</b>					
February Baseline	8675.3	9063.3	9310.1	9330.6	9592.0
% Ch	4.1	4.5	2.7	0.2	2.8
November Baseline	8675.3	9063.3	9310.1	9291.8	9565.4
% Ch	4.1	4.5	2.7	-0.2	2.9
<b>Implicit Price Deflator</b>					
February Baseline	1.037	1.061	1.088	1.099	1.117
% Ch	1.2	2.3	2.5	1.0	1.7
November Baseline	1.037	1.061	1.088	1.103	1.124
% Ch	1.2	2.3	2.5	1.4	1.9
<b>U.S. Unemployment Rate</b>					
February Baseline	4.38	4.09	4.19	5.57	6.06
November Baseline	4.38	4.10	4.17	5.67	6.10
<b>Mortgage Rate</b>					
February Baseline	6.93	8.05	7.45	6.91	7.24
November Baseline	6.93	8.05	7.45	6.49	7.12
<b>3 Month T-Bill Rate</b>					
February Baseline	4.49	5.23	5.13	2.15	2.70
November Baseline	4.49	5.23	5.13	2.23	3.26
<b>Washington</b>					
<b>Real Personal Income</b>					
February Baseline	162.140	170.364	172.252	172.182	175.193
% Ch	6.2	5.1	1.1	-0.0	1.7
November Baseline	162.140	170.364	172.350	172.918	175.941
% Ch	6.2	5.1	1.2	0.3	1.7
<b>Personal Income</b>					
February Baseline	168.216	180.779	187.337	189.160	195.729
% Ch	7.5	7.5	3.6	1.0	3.5
November Baseline	168.216	180.779	187.444	190.748	197.823
% Ch	7.5	7.5	3.7	1.8	3.7
<b>Employment</b>					
February Baseline	2621.3	2682.3	2719.7	2674.3	2679.8
% Ch	2.5	2.3	1.4	-1.7	0.2
November Baseline	2621.3	2682.3	2719.4	2694.7	2697.7
% Ch	2.5	2.3	1.4	-0.9	0.1
<b>Housing Permits</b>					
February Baseline	44.954	39.318	41.087	37.618	36.917
% Ch	-0.4	-12.5	4.5	-8.4	-1.9
November Baseline	44.954	39.318	41.087	37.047	35.900
% Ch	-0.4	-12.5	4.5	-9.8	-3.1

Table 1.6

Calendar Years

**Long Range Economic Outlook**

Forecast 2002 to 2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>U.S.*</b>											
Real GDP, %Ch	1.1	1.0	4.0	3.9	3.0	2.9	2.9	3.3	3.4	3.6	3.4
Implicit Price Deflator, %Ch	1.9	1.0	2.2	2.3	2.2	2.2	2.2	2.3	2.3	2.3	2.5
3 Month T-Bill Rate	3.39	2.01	3.68	4.62	4.62	4.61	4.63	4.64	4.65	4.66	4.66
Mortgage Rate	6.97	7.05	7.43	7.54	7.38	7.37	7.36	7.32	7.30	7.28	7.30
<b>State**</b>											
Real Personal Income, %Ch	0.6	0.4	2.8	3.4	3.1	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	2.5	1.3	5.0	5.7	5.4	4.7	4.8	4.8	4.8	4.9	5.1
Employment, %Ch	-0.2	-1.3	1.4	2.3	2.3	2.0	2.0	2.0	2.0	2.0	2.0

\* February 2002 Baseline (2001-2005) extended with the DRI February 2002 Trendlong Forecast.

\*\* February 2002 Baseline (2001-2005) judgmentally extended through 2011.

# Comparison of Washington and U.S. Economic Forecasts

Chart 1.1  
Total Nonagricultural Employment

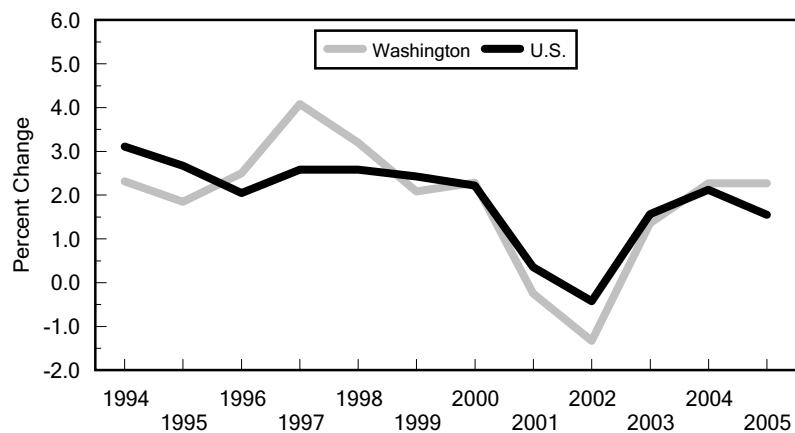


Chart 1.2  
Manufacturing Employment

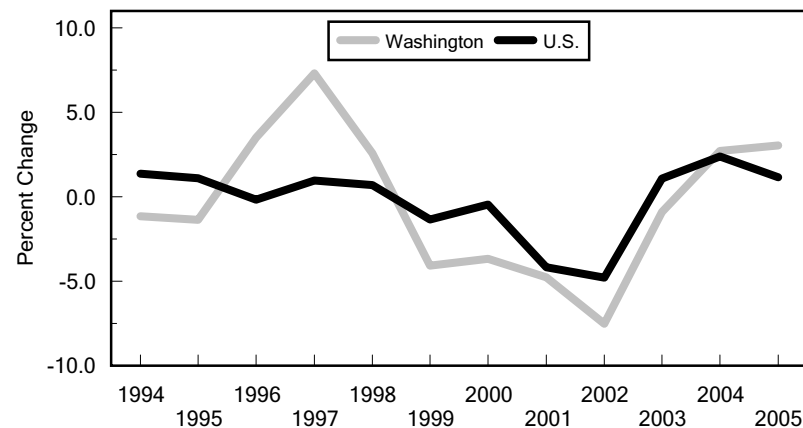


Chart 1.3  
Aerospace Employment

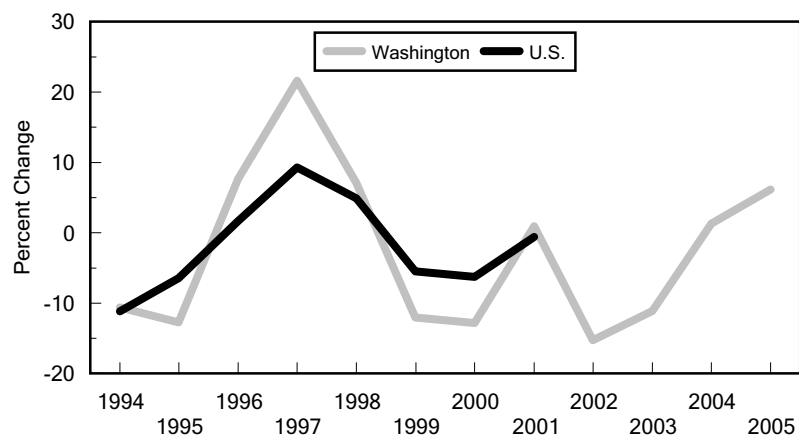
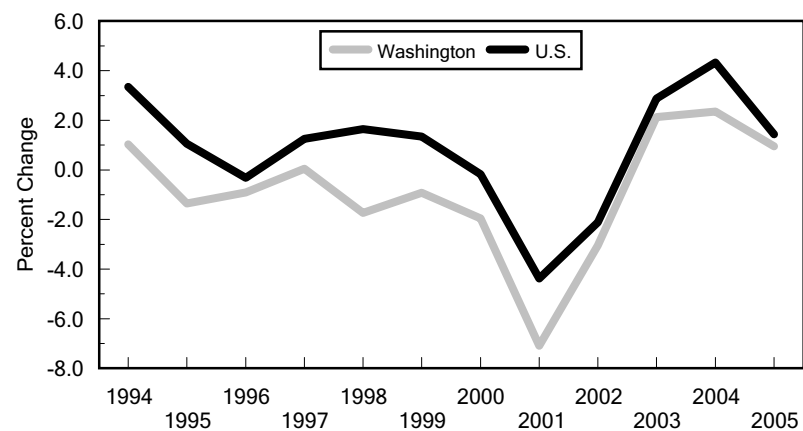


Chart 1.4  
Forest Products Employment



# Comparison of Washington and U.S. Economic Forecasts

Chart 1.5  
Construction Employment

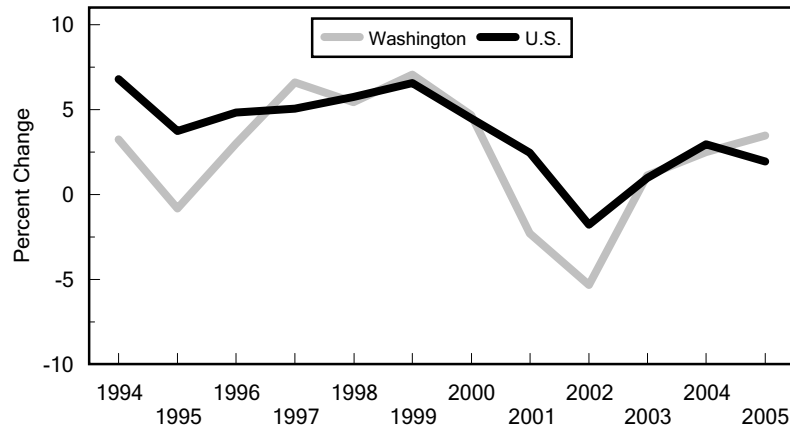


Chart 1.6  
Trade Employment

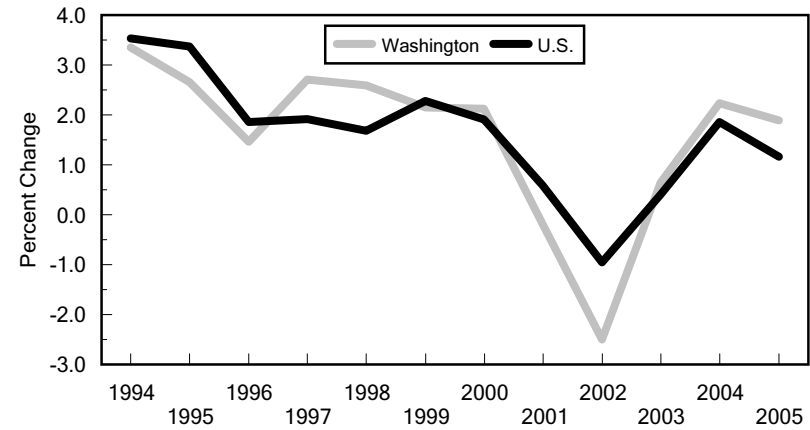


Chart 1.7  
Services Employment

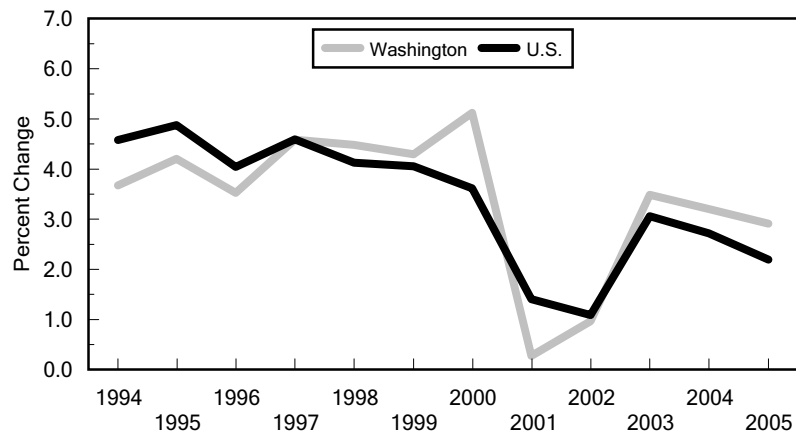
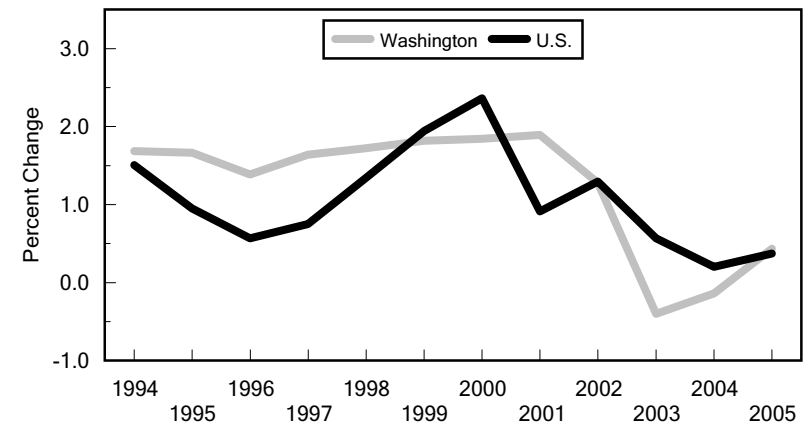


Chart 1.8  
Government Employment



## Comparison of Washington and U.S. Economic Forecasts

Chart 1.9  
Real Personal Income

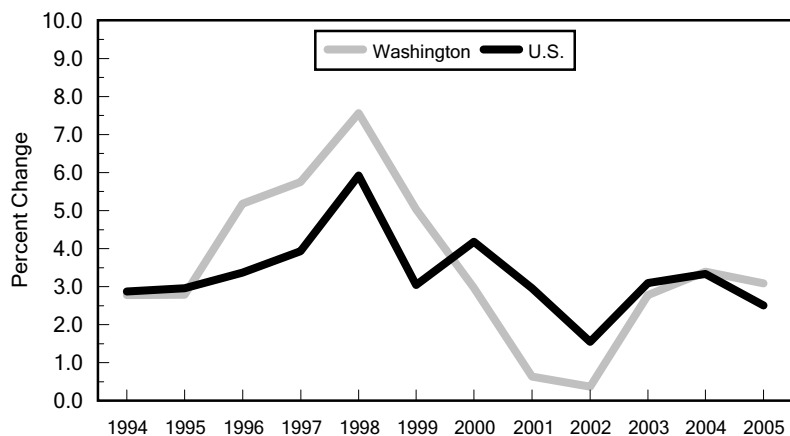


Chart 1.10  
Consumer Price Indices

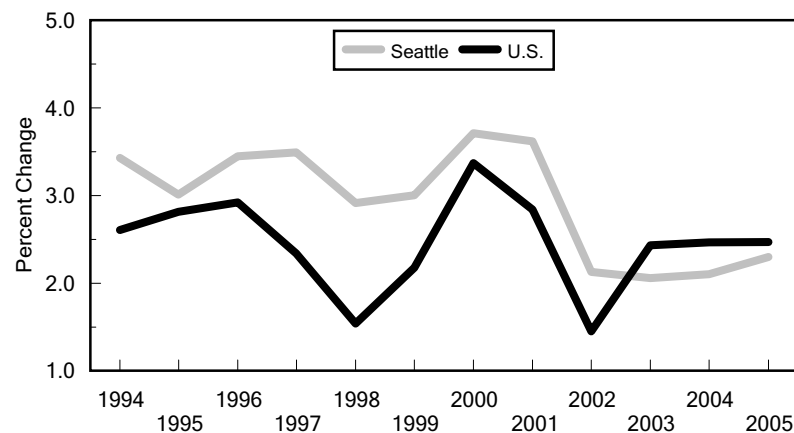


Chart 1.11  
Population

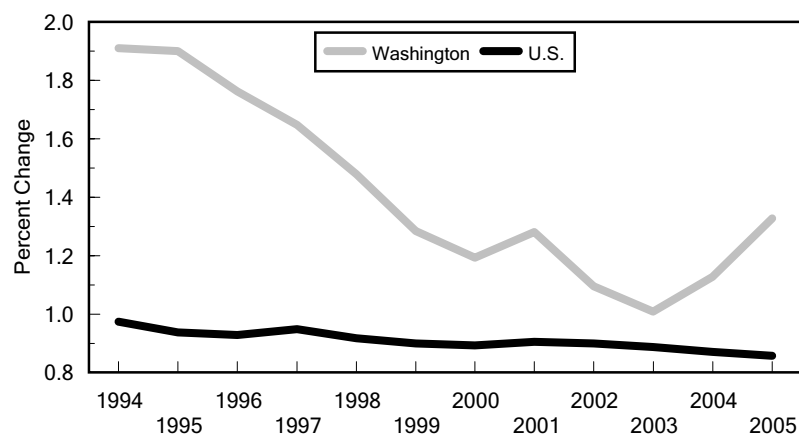
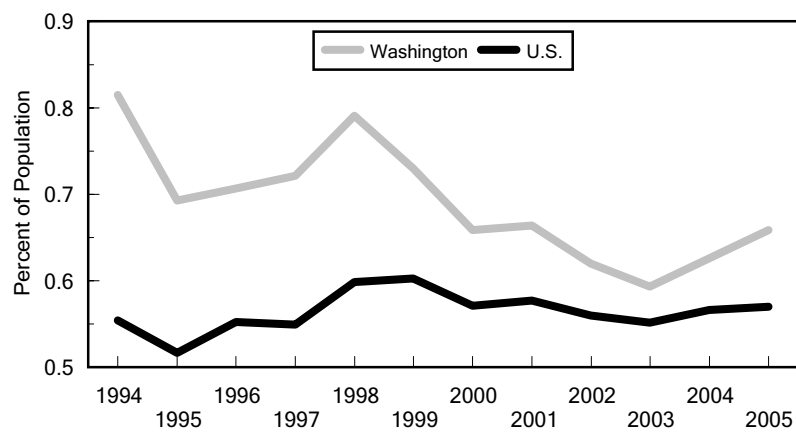


Chart 1.12  
Per Capita Housing Units



# Comparison of Alternative U.S. Forecasts

Chart 1.13  
Real GDP

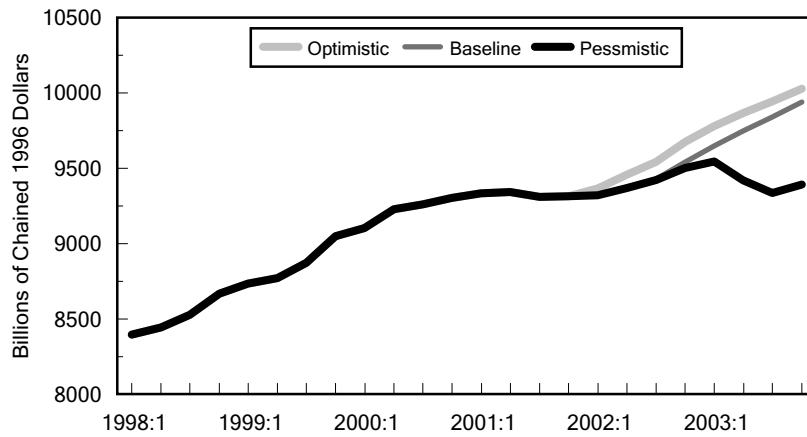


Chart 1.14  
Implicit Price Deflator

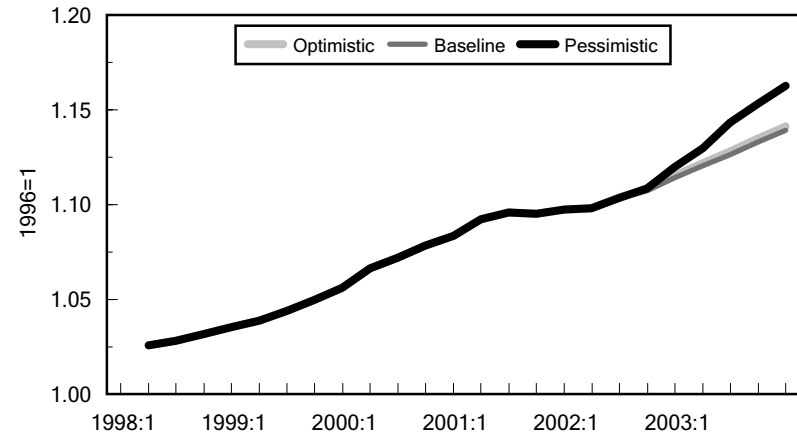


Chart 1.15  
Mortgage Rate

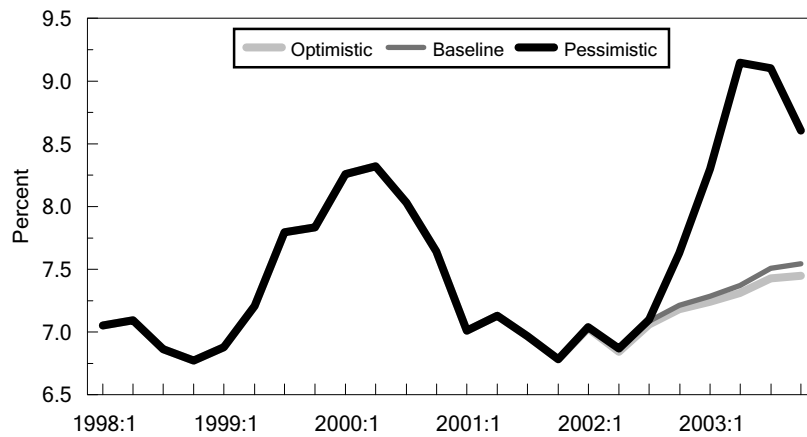
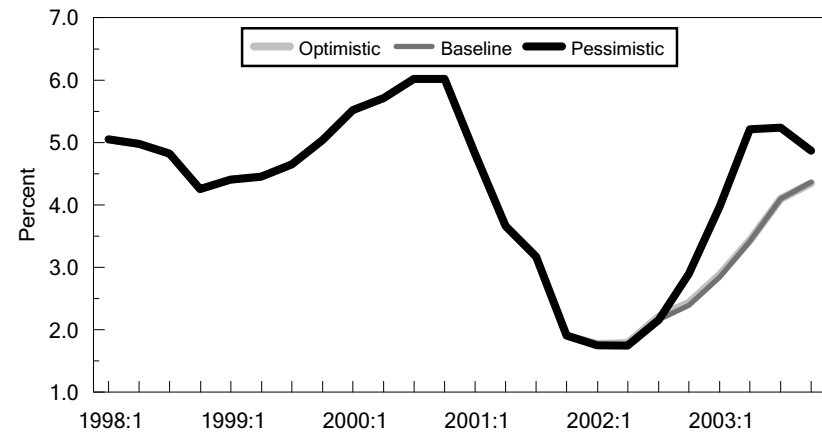


Chart 1.16  
Three Month T-Bill Rate





## Comparison of Alternative Washington Forecasts

Chart 1.17  
**Personal Income**

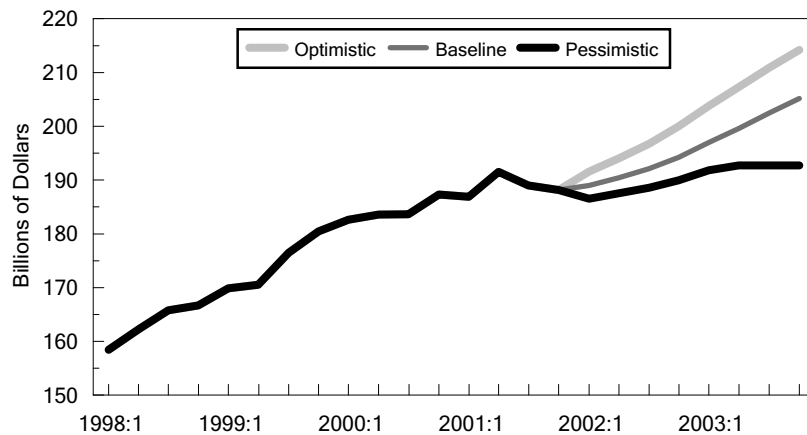


Chart 1.18  
**Real Personal Income**

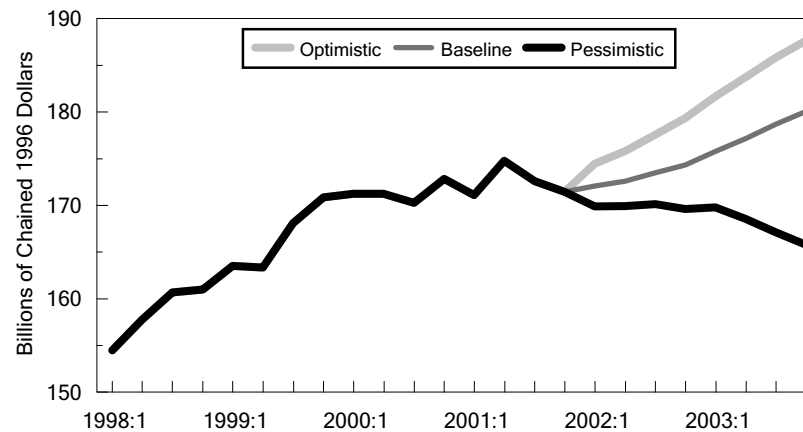


Chart 1.19  
**Nonagricultural Employment**

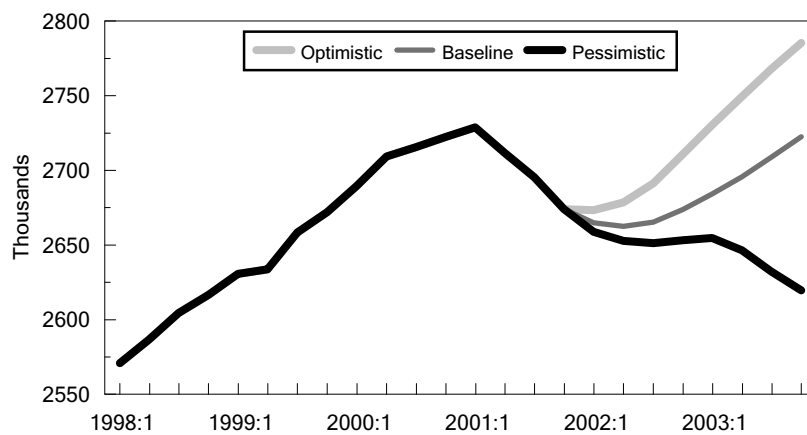
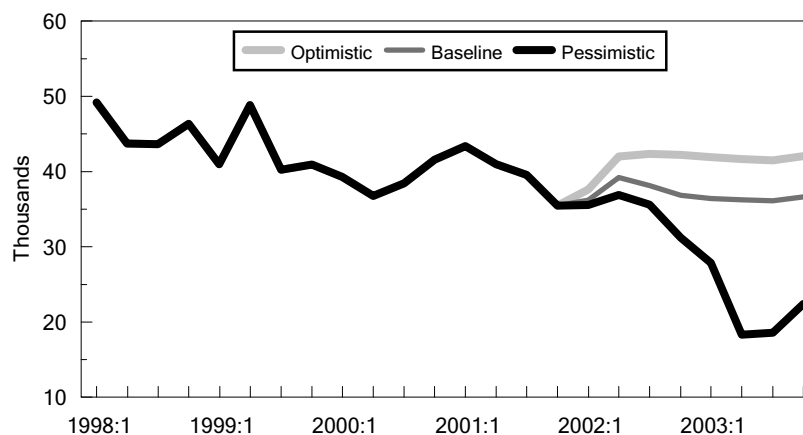


Chart 1.20  
**Housing Permits**



# Washington Business Indicators

## The National Economy

The U.S. recession may be over. If so, this would be one of the mildest on record. After declining 1.3 percent in the third quarter, real Gross Domestic Production (GDP), the broadest measure of economic activity, increased at a surprisingly strong 1.4 percent annual rate in the fourth quarter of 2001\*. The February 2002 forecast assumes it will also increase in the first quarter of 2002. Consumer spending powered a lot of the gain. Government spending was also strong. However, investment spending remained very weak, with gross investment declining at a 23.3 percent annual rate in the fourth quarter. This was the sixth consecutive quarter that investment spending declined and the fourth straight quarter in which the decline was at a double-digit rate. Exports were also weak, falling at a 12.2 percent annual rate. Consumer spending has shown amazing strength throughout this recession. Real consumer expenditures rose at a 6.0 percent annual rate in the fourth quarter, lead by a huge 39.2 percent increase in durable goods, mainly autos. This is up sharply from the 1.0 percent increase in the third quarter. This recession has yet to see a decline in real consumer spending, a truly remarkable performance in the wake of rising unemployment, declining financial assets and the attacks of September 11<sup>th</sup>.

Conditions in the manufacturing sector have started to improve. The U.S. Purchasing Managers Index rose from 48.1 in December 2001 to 49.9 in January 2002. The index has risen three straight months. Although the January index is still below 50, it is at its highest level since August of 2000.

Nationally, labor market conditions are mixed. The unemployment rate unexpectedly fell in January to 5.6 percent from 5.8 percent in December. However, non-farm employment also fell in January 2002. This is the sixth consecutive monthly decline and the eighth decline in the last ten months. Total non-farm jobs fell 89,000 in January and have dropped more than one million since September. The nation has lost more than 1.4 million jobs since the start of the recession, March 2001. Despite the unexpected drop in the unemployment rate in January, the lower non-farm employment numbers will likely push the unemployment rate higher in coming months even if the recession is over. Prices have remained stable. Although the Consumer Price Index (CPI) rose 0.2 percent in January, this was the first increase in four months. January 2002 CPI is only 1.1 percent higher than a year ago.

The Conference Board reported that the U.S. Index of Leading Indicators rose 0.6 percent in January 2002. The index has increased four consecutive months and is 2.2 percent above the level

six months ago. The index now stands at 112.2 (1996=100), 3.0 percent above the year-ago level. In January six of the ten indicators that make up the leading index rose and four declined. The steady increase in the leading indicator index is a clear sign that the economy is starting to recover.

The Conference Board also reported that its Index of Consumer Confidence fell in February 2002. This is likely due in part to job concerns in spite of higher than expected real GDP growth. The index had increased both in December and January after falling four consecutive months, including huge declines in September and October following the terrorist attacks. With the 3.1 percent decline in February, the index now stands at 94.1 (1985=100). Although this is well above its low in November (84.9), it is still below both the pre-terrorist attack level of 114.0 in August and the year-ago level of 109.9.

After a year of monetary easing, the Federal Open Market Committee (FOMC) left its target for the federal funds rate unchanged at its most recent meeting in January 2002. The Fed had cut rates eleven times in 2001. The FOMC indicated that weakness in the economy was abating, although it still believes that risks are still weighted “toward conditions that may generate economic weakness in the foreseeable future”. The FOMC will next meet in March 2002. The February forecast assumes the FOMC will raise its target rate for Federal Funds later in the year.

## **The State Economy and Indicators**

The Washington economy is in recession, its first in two decades. Payroll employment declined at a 3.2 percent annual rate in the fourth quarter, after declining 2.4 percent in the third quarter and 2.5 percent in the second quarter. The state has not seen three quarters of employment decline since the recession of 1982-83. More reductions are likely as significant cuts in aerospace employment lie ahead. Manufacturing employment continued to decline in the fourth quarter of 2001, falling 9.9 percent. It fell 5.5 percent in the third quarter and has now declined fourteen consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000. Aerospace employment declined at a 10.7 percent annual rate in the fourth quarter. Prior to the fourth quarter, the aerospace sector had not declined since the fourth quarter of 2000. However, the latest rounds of job cuts at Boeing have just started. Aerospace employment is expected to continue to fall through the remainder of the biennium. Non manufacturing employment was again weak in the fourth quarter, falling at a 2.2 percent annual rate. It declined at 1.9 percent rate in the third quarter.

Weak job growth is beginning to show up in the unemployment data. Washington's seasonally adjusted unemployment rate rose from 6.6 percent in October to 7.4 percent in December and 7.5 percent in January. The state's unemployment rate has not been this high since 1993. At year ago Washington's unemployment rate was 5.5 percent. Employment is expected to continue to decline and the unemployment rate will likely continue to rise for the next few quarters due to expected cuts in aerospace jobs.

Other state economic indicators also have been weak. The Seattle Times index of help-wanted advertising fell in January and is 26 percent below the year-ago level. Average weekly hours in manufacturing fell in January to 40.1 from 40.6 in December. Although average weekly hours in manufacturing have fallen three of the last four months, they are still about the same level as a year ago. Although housing units authorized by building permits rose in January 2002, they are more than 20 percent below the year-ago level. Building permits declined at a 35.4 percent annual rate in the fourth quarter. Annualized, building permits in the fourth quarter totaled 35,480, the lowest

level since the third quarter of 1995. On the brighter side, the Washington Purchasing Management Index rose in January to 49.9 from 45.5 in December. It has risen for two consecutive months and it is close to 50 (a reading below 50 indicates contraction, above 50 indicates expansion).

Washington's boom monitor index fell for the fourth consecutive month in January 2002. The boom monitor index is designed to signal when the Washington economy exceeds the limit of sustainable growth. When the index exceeds 50, its long run average, the economy is considered to be expanding above trend. Conversely, a reading below 50 indicates the economy is growing below its long run average. The index has been below 50 the last eleven months and is at its lowest level since 1984.

The revised Washington Index of Leading Indicators (See Chapter 4) confirms a weak state economy. The index has declined the last five months and is 9.7 percent below its cyclical high of 107.8 reached in January 1999. The January 2002 index level is 97.3, its lowest level since 1996. Four components of the index contributed to the decline in January: a drop in the index of help wanted advertising, a decline in aerospace employment, an increase in the exchange rate, and a decline in the average hourly earnings in manufacturing. The three other components of the index were up: the U.S. leading index, housing and initial claims for unemployment insurance

*\*This is based on the most recent data from the Bureau of Economic Analysis (the Preliminary GDP estimates for the fourth quarter of 2001 released February 28, 2002.) The February 2002 economic forecast was based on the advanced GDP release which showed a 0.2 percent increase in real GDP in the fourth quarter of 2001.*

# Washington State Economic Indicators

Chart 2.1  
**Year-over-Year Employment Growth**  
January 1980 to January 2002

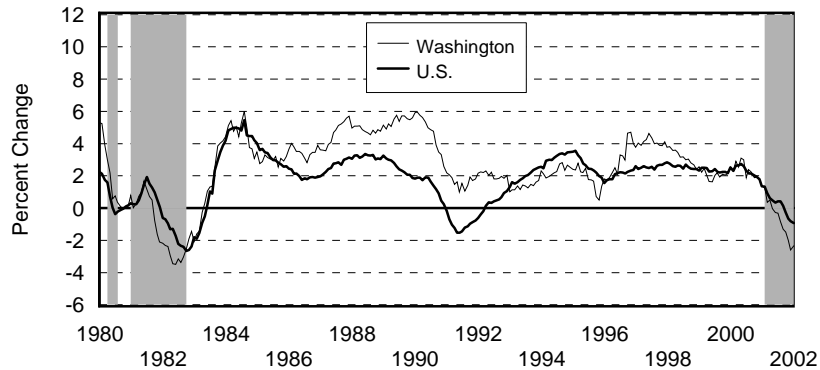


Chart 2.2  
**Washington Aircraft and Parts Employment**  
January 1958 to January 2002

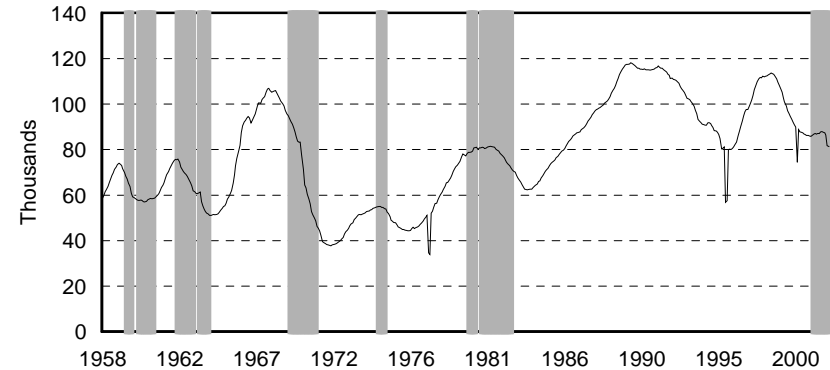


Chart 2.3  
**Unemployment Rate, S.A.**  
January 1980 to January 2002

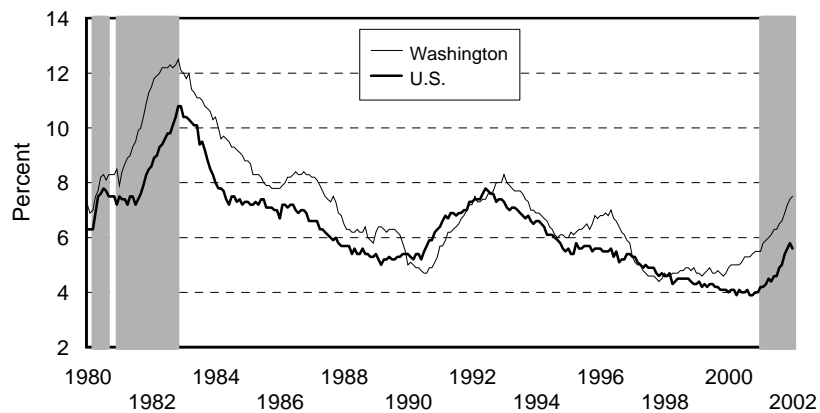
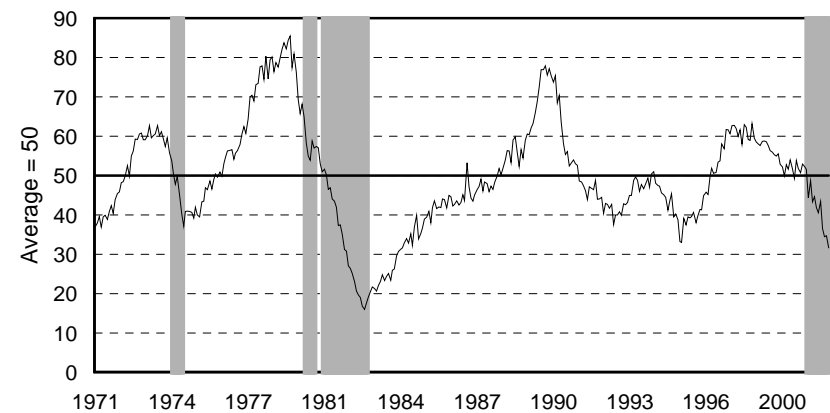


Chart 2.4  
**Washington Boom Monitor Composite Index**  
July 1971 to December 2001



\* Shaded areas correspond with Washington employment downturns.

# Washington State Leading Indicators

Chart 2.5  
**The Washington and U.S. Indexes of Leading Indicators\***  
January 1970 to January 2002

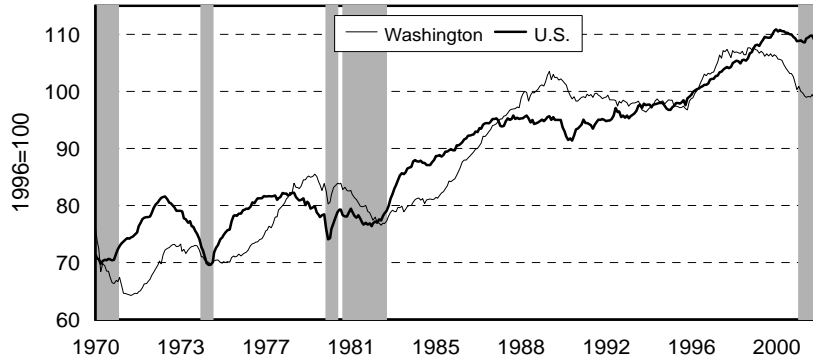


Chart 2.6  
**Washington Initial Claims for Unemployment Insurance**  
January 1970 to January 2002

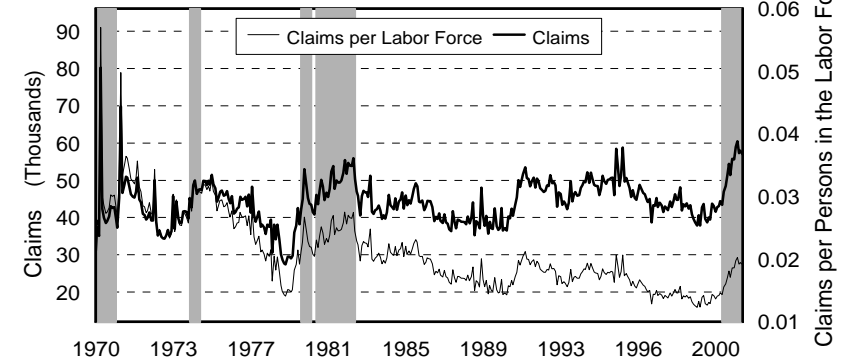


Chart 2.7  
**Seattle Times and U.S. Help-Wanted Advertising Indexes**  
January 1970 to January 2002

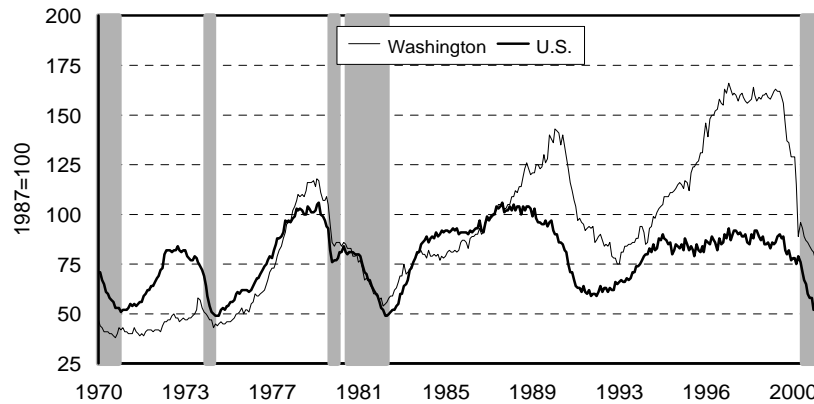
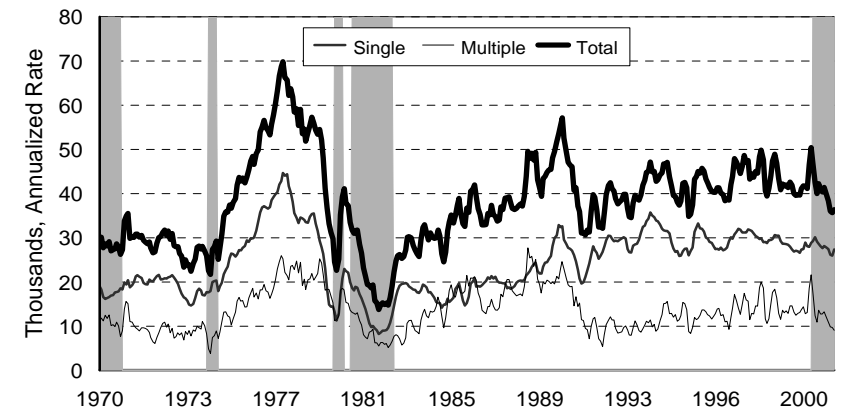


Chart 2.8  
**Housing Units Authorized in Washington State**  
January 1970 to January 2002, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.  
\*Comprehensively revised 1/02 and 2/02; see Chapter 4 for details

## Other State Economic Indicators

Chart 2.9

### Average Weekly Hours in Manufacturing

January 1970 to January 2002, 3-Month Moving Average, SA

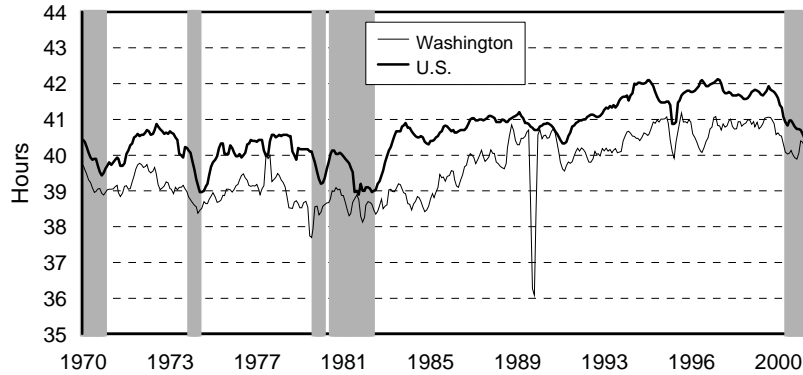


Chart 2.10

### Washington Driver's License Migration

September 1983 to January 2002, 12-Month Moving Average

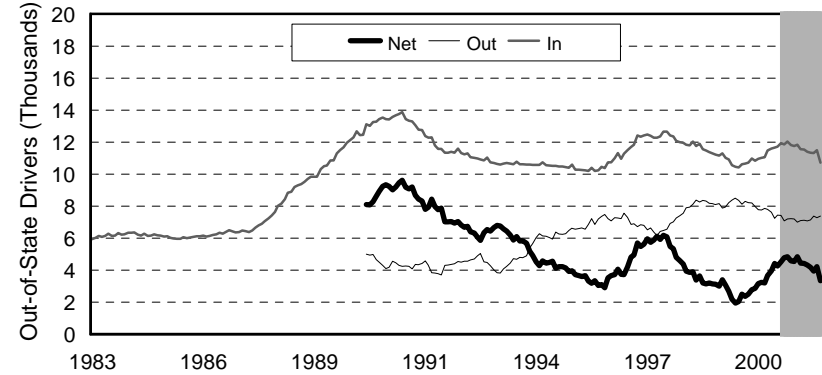


Chart 2.11

### New Car and Truck Registrations in Washington

January 1977 to January 2002, 6-Month Moving Average

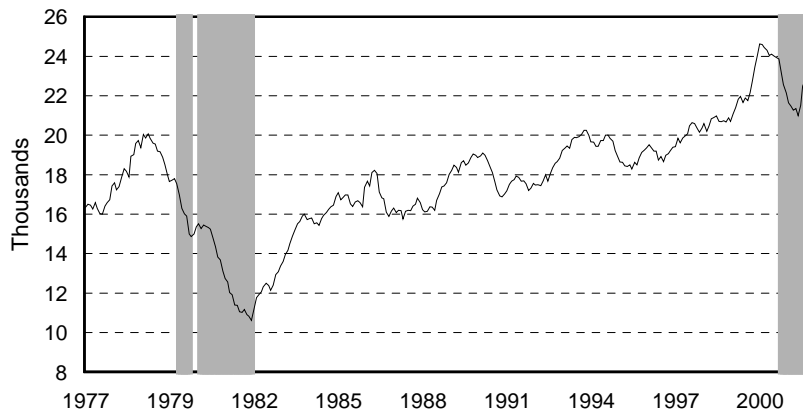
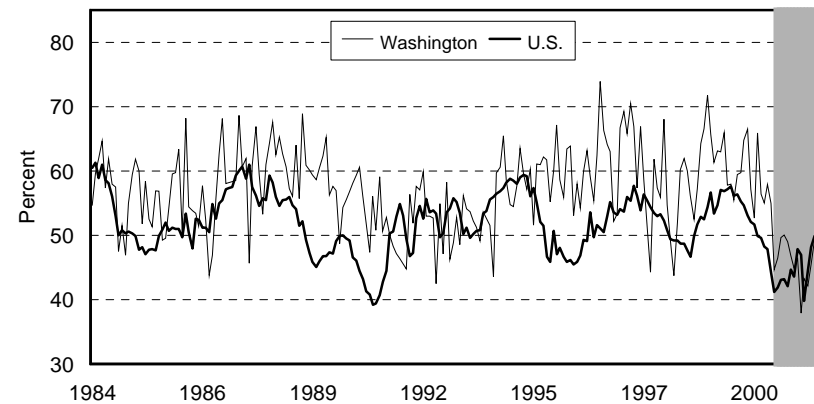


Chart 2.12

### Purchasing Management Composite Index

January 1984 to January 2002



\* Shaded areas correspond with Washington employment downturns.

## Other Economic Indicators

Chart 2.13  
**Quarterly U.S. Real GDP Growth**  
1970 Q1 to 2001 Q4

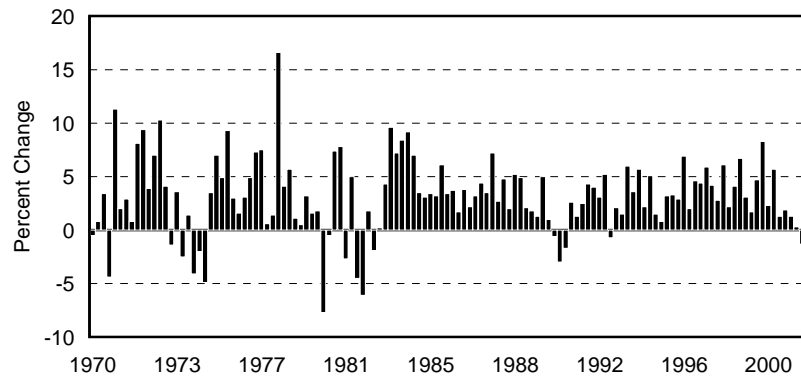


Chart 2.14  
**Washington State Export Composition**  
Change from Same Quarter Year Ago

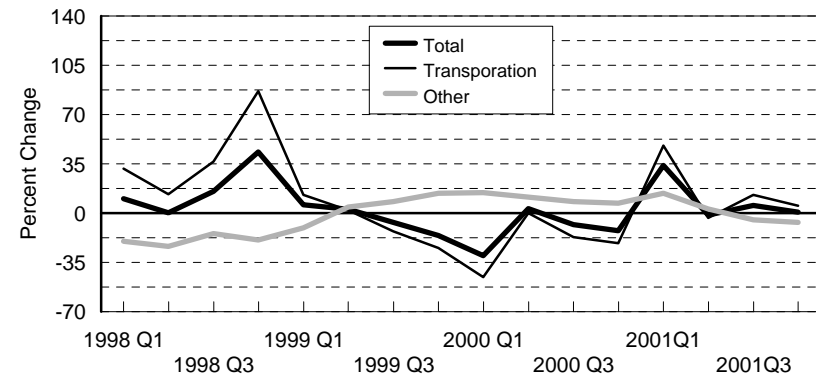


Chart 2.15  
**U.S. Economic Indicators\*\***  
January 1970 to January 2002

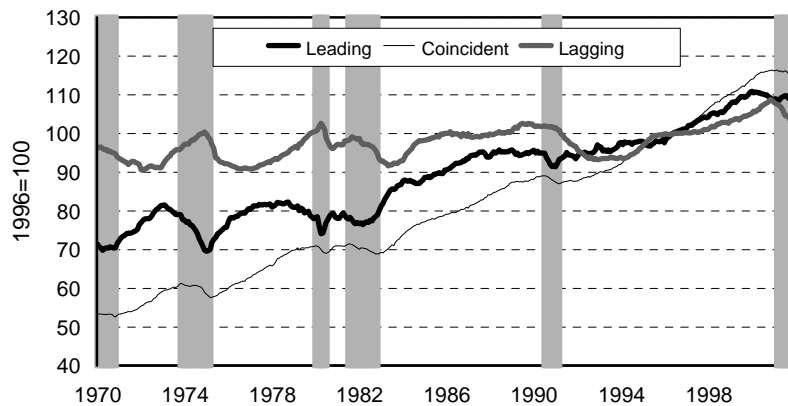
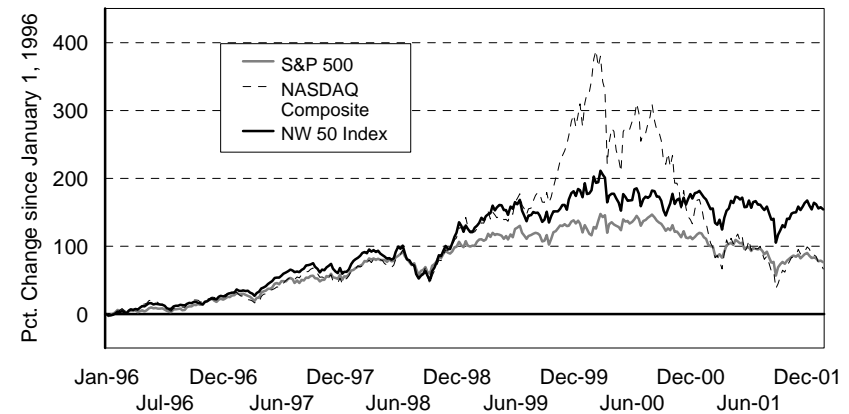


Chart 2.16  
**Northwest 50 Regional Stock Index vs. National Indices**  
January 1, 1996 to February 22, 2002



\* Shaded areas correspond with U.S. business cycle contractions as defined by the National Bureau of Economic Analysis.

\*\*Comprehensively revised 1/02; see Chapter 4 for details



## Other Economic Indicators

Chart 2.17  
**Federal Funds Target Rate**  
October 1, 1990 to February 26, 2002

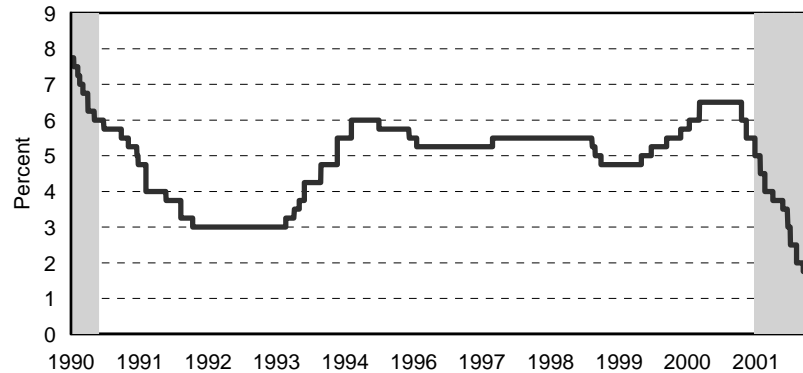


Chart 2.18  
**Consumer Confidence**  
January 1978 to February 2002

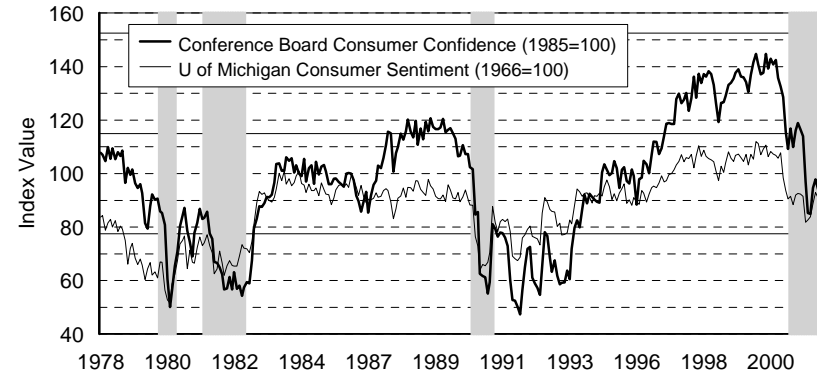
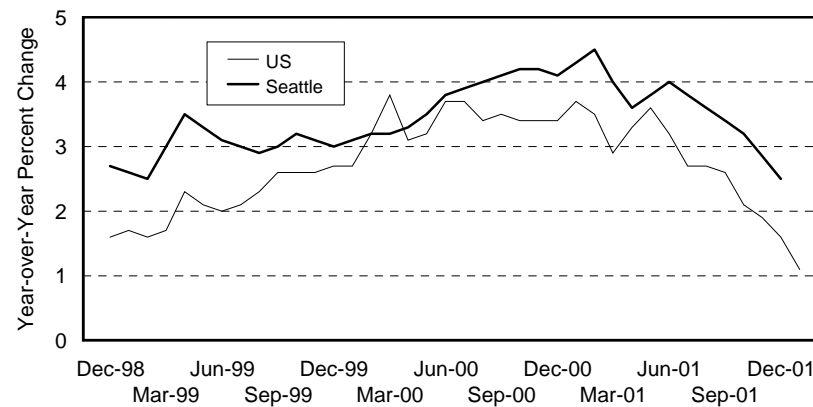


Chart 2.19  
**Seattle vs U.S. CPI (All Urban Consumers)**  
December 1998 to January 2002 (WA to Dec 01 Only)



\* Shaded areas correspond with U.S. business cycle contractions as defined by the National Bureau of Economic Analysis.

Table 2.1

**Washington Business Indicators**

Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2000:1	106.2	110.9	162	89	55.5	56.8
2000:2	105.7	110.5	162	90	59.5	56.7
2000:3	105.7	110.8	159	88	59.8	55.3
2000:4	105.5	110.6	156	89	64.8	54.8
2000:5	104.7	110.6	147	82	66.5	53.4
2000:6	104.2	110.3	137	80	57.2	51.8
2000:7	103.7	110.3	136	82	52.7	51.9
2000:8	103.2	110.0	129	77	65.9	49.9
2000:9	103.2	110.0	129	78	56.4	48.8
2000:10	102.6	109.6	129	78	55.1	48.0
2000:11	101.6	109.3	115	75	57.9	48.1
2000:12	100.4	108.8	89	79	55.0	44.2
2001:1	100.9	108.9	96	76	44.7	41.7
2001:2	100.0	109.0	93	71	46.5	42.0
2001:3	99.8	108.7	89	67	49.6	43.2
2001:4	99.2	108.6	87	65	50.1	43.2
2001:5	99.0	109.3	86	60	49.0	42.3
2001:6	99.2	109.5	84	58	46.8	44.3
2001:7	99.0	109.8	82	58	44.9	43.9
2001:8	99.5	109.8	81	52	46.4	47.9
2001:9	98.9	109.1	77	52	37.9	46.2
2001:10	97.8	109.2	71	46	43.3	39.5
2001:11	97.8	110.1	70	45	42.1	44.7
2001:12	97.7	111.5	73	47	45.5	48.1
2002:1	97.3	112.2	71	47	49.4	49.9

# Washington State Revenue Forecast Summary

## Introduction

The Economic and Revenue Forecast Council approved a \$246.8 million reduction to the General Fund-State (GFS) revenue forecast for the 2001-03 biennium at its February 2002 meeting. This reduction follows a \$813.1 million reduction in November 2001. The February revision consists of a \$265.7 million reduction due to a weaker economy, partially offset by an \$18.9 million non-economic increase to the estate tax forecast. The reduction reflects both weaker collections in the three months since the November forecast and a weaker economic outlook for the remainder of the biennium. The estate tax adjustment is based on a new legal interpretation of the effect of the phase-out of the federal estate tax on Washington's estate tax.

Recent economic data suggests that the national recession may be shorter and milder than originally feared. The November 2001 forecast expected real Gross Domestic Product (GDP) to decline in both the fourth quarter of 2001 and the first quarter of 2002. Revised data show real GDP up 1.4 percent in the fourth quarter. Real GDP is also now expected to increase in the first quarter. Other national indicators are also positive including the U.S. index of leading indications, which have now risen for four consecutive months, suggesting the worst may be over for the national economy. While the U.S. economy may have reached bottom, the Washington economy has shown no sign of recovery. In fact the state's economy has weakened since November. Both income and employment grew slower than expected in the fourth quarter and the outlook for the remainder of the biennium is weaker than assumed in November. Revenue growth in the fourth quarter was less than expected despite very strong

Table 3.1			Cash Basis
Revision to the General Fund-State Forecast			
February 2002			
(Millions of dollars)			
	Fiscal 2002	Fiscal 2003	2001-03 Biennium
Forecast Change	(\$113.1)	(\$152.6)	(\$265.7)
Non Economic Change <sup>1</sup>	\$0.0	\$18.9	\$18.9
<b>Total Change*</b>	<b>(\$113.1)</b>	<b>(\$133.7)</b>	<b>(\$246.8)</b>

<sup>1</sup> Adjustment to the estate tax.

\*Detail may not add to totals due to rounding.

auto sales and strong sales nationally. The February 2002 forecast continues to assume that the combination of a national recession and a significant decline in aircraft production and employment will produce the worst economy in the state since the recession of the early 1980's and the weakest GFS revenue growth since the 1981-83 biennium.

The February 2002 General Fund-State revenue forecast now expects \$20,961.9 million in the 2001-03 biennium. This is \$300.2 million, 1.4 percent, less than what was collected the 1999-01 biennium. While this decline reflects tax law changes (e.g. Initiatives 728, 747 and 773) as well as a weaker economy, revenue growth, excluding law changes, would be by far the weakest since the recession-plagued 1981-83 biennium.

The reduction to the GFS forecast in February increases the expected GFS cash deficit for the 2001-03 biennium to \$993.7 million. (the beginning balance plus current revenue less appropriations.) This is based on a beginning balance of \$599.7 million, The February 2002 revenue forecast of \$20,961.9 million and the current biennial appropriations level of \$22,783.2 million. This understates the budget problem. When higher school enrollment, prison population and social service caseloads are included the state's deficit for the 2001-03 biennium is expected to be between \$1.5 billion and \$1.6 billion. The projected GFS cash deficit for June 30, 2003 is well above the \$384.4 million positive balance currently projected for the Emergency Reserve Fund for the 2001-03 biennium. Like the economy, this is the worst budget situation that the state has faced since the 1981-83 biennium

The February 2002 forecast is the first forecast of GFS revenue for the 2003-05 biennium, which spans the period July 2003 through June 2005. Economic and revenue growth are expected to rebound in the 2003-05 biennium, producing significantly more GFS revenue than in the current 2001-03 budget period. GFS revenue for the 2003-05 biennium is expected to total \$22,790 million. This is \$1.8 billion (8.7 percent) above the forecast for the 2001-03 biennium.

## **Background and Assumptions**

The Washington State GFS revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and two appointed by the Legislature from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The GFS revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. Each state agency engaged in revenue collection is responsible for forecasting the revenue it collects or administers. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's GFS sources. The staff is also responsible for review and coordination of the revenue forecasts of agencies that collect relatively large amounts of GFS revenue. These are the Department of Licensing, the Office of the Insurance Commissioner, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GFS

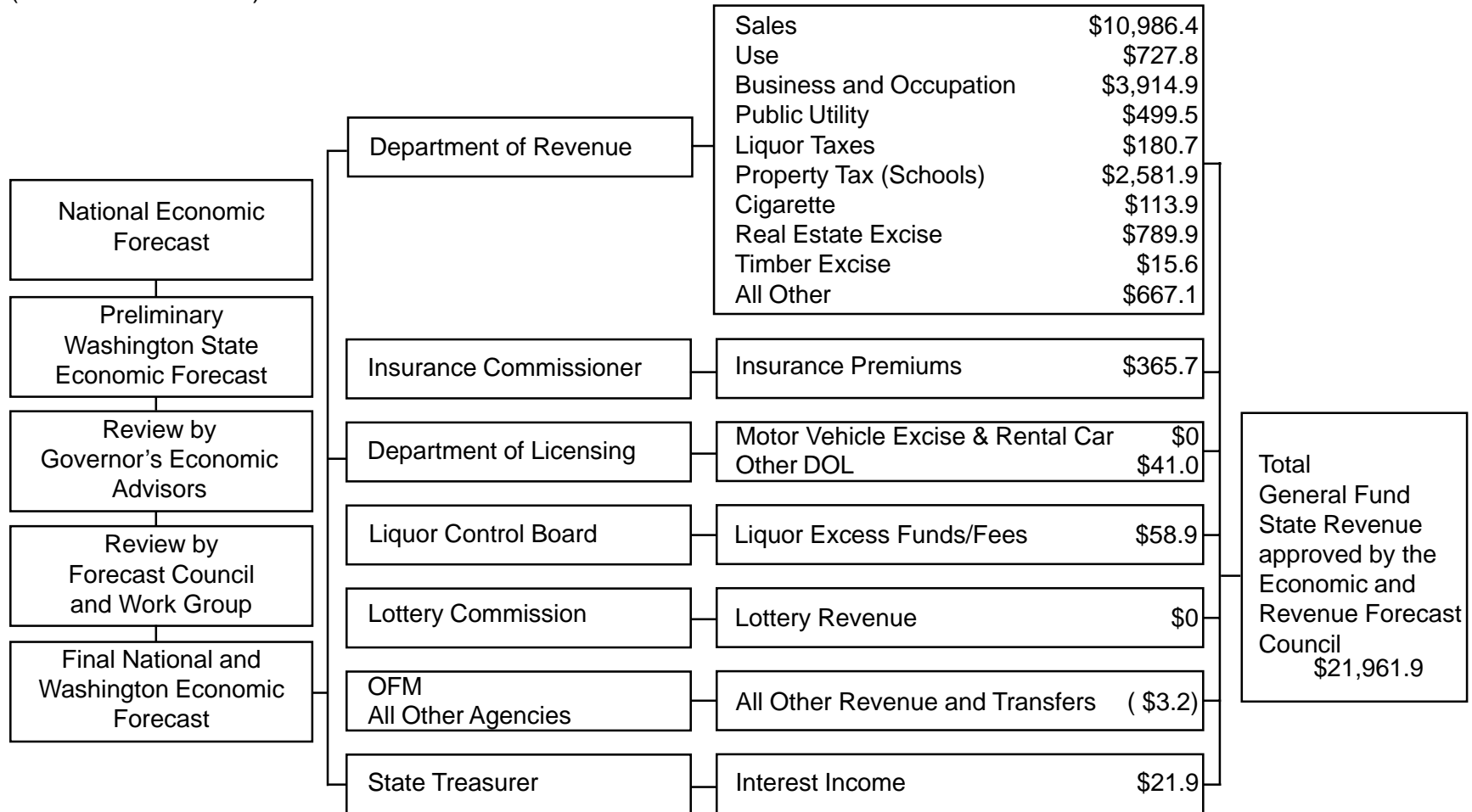
revenue.

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by DRI-WEFA. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The DRI-WEFA national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the February 2002 baseline forecast for the 2001-03 biennium (cash basis) is shown in Table 3.2.

## **February 2002 Forecast Assumptions**

1. The February 2002 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington state economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the February 2002 DRI-WEFA Baseline Forecast for the U.S.
2. The February 2002 GFS forecast is based on current law and administrative practices. The February forecast includes an adjustment to the estate tax forecast based on a new legal interpretation of the effect of the phase-out of the federal estate on Washington's estate tax revenue. This adds \$18.9 million to the GFS forecast for the 2001-03 biennium. In June 2001 the estate tax forecast was reduced as a result of a change to the federal estate tax. It was assumed that Washington's estate tax would be automatically reduced because of the reductions made by the federal law change. However, subsequent legal analysis indicates that Washington's estate tax is still tied to the old (higher) federal rates and that the reduction to the estate tax forecast in June 2001 was in error. The adjustment to the estate tax forecast this quarter corrects that error.
3. Under provisions of Initiative 728 lottery revenue are dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, lottery revenue went to the General Fund. Although no longer part of the General Fund or the GFS revenue forecast, the lottery forecast will continue to be monitored by the Forecast Council. Part II of Table 3.17 shows lottery sales forecast and distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. Revenue from higher education tuition and fees was removed from the General Fund in July 1992. Since 1992, revenues from tuition and fees have been placed into the operating fund of each individual college or university. Because of this change, there is a large discontinuity in the time series of GFS revenue beginning with the 1991-93 biennium.

Table 3.2  
**Economic and Revenue Forecast Flow Chart\***  
 General Fund-State  
 2001-03 Biennium  
 (Amounts in millions)



\* Cash Basis

Tuition and fees are included in only one year of the 1991-93 biennium's GFS revenue total and are excluded from total GFS revenue after fiscal year 1993.

6. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2001-03 and the 2003-05 biennia. Receipts for the 1997-99 biennium were reduced by \$549 million by legislation enacted during the 1996, 1997 and 1998 legislative sessions. New legislation and other non-economic changes (e.g. referendum 49) reduced GFS revenue for the 1999-01 biennium by \$568 million. As of February 2002, legislation and other non-economic changes have reduced the forecast of GFS revenue for the 2001-03 biennium by \$492 million. The effect of I-728 property tax transfers on GFS revenue accelerates in the 2003-05 biennium. These transfers grow from \$267.1 million in the 2001-03 biennium to \$560.0 million in the 2003-05 biennium. This lowers the growth of GFS revenue to 8.7 percent from 10.0 percent excluding the I-728 property tax transfers.

## Recent Collection Experience

Revenue collections in the three months since the November forecast were only \$18.8 million less than expected. The shortfall is relatively small, largely due to a special factor, and its size understates the effect of the weak economy on GFS collections the past three months. In December there were two unusually large estate tax payments totaling \$16.2 million. While these payments reduced the overall collection shortfall, they were of a one-time nature and do not reflect current economic activity. Excluding these payments, the shortfall over the past three months was \$35 million.

Tax payments that are more closely tied to current economic activity were down even more. Revenue Act taxes (retail sales, business and occupation, use, public utility, and tobacco products taxes), Washington's major excise taxes, were \$40.4 million below the estimate for the last three months. Without the double-digit growth of auto sales in the fourth quarter (very uncharacteristic of a recession), the Revenue Act shortfall would have been much worse. Other major GFS taxes collected by the Department of Revenue were \$21.5 million more than expected since November. This total includes the higher than expected estate tax payments as well as higher than expected property tax (state levy) payments. This category also includes real estate ex-

Table 3.3

### Collection Variance, November 11 - February 10, 2002

Based on the November 2001 Forecast

(Millions of dollars)

Agency/Source	Collection Variance*	Percent of Estimate	Adjusted Variance**	Percent of Estimate
Department of Revenue				
Revenue Act <sup>1</sup>	(\$40.4)	-1.9%	(\$40.4)	-1.9%
Non Revenue Act <sup>2</sup>	\$21.5	2.7%	5.3	0.7%
<b>Subtotal</b>	(\$18.9)	-0.6%	(35.1)	-1.2%
Department of Licensing <sup>2</sup>	\$0.1	6.6%	0.1	6.6%
<b>Total**</b>	<b>(\$18.8)</b>	<b>-0.6%</b>	<b>(\$35.0)</b>	<b>-1.2%</b>

<sup>1</sup> Revenue Act taxes consists of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections November 11, 2001 through February 10, 2002.

<sup>2</sup> Variance based on November 2001 through January 2002 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

\* Collection variance: actual tax payments compared to monthly estimates based on the November 2001 forecast.

\*\* Detail may not add to total due to rounding.

cise tax payments. Real estate tax payments, which also are closely tied to current economic conditions, were down \$4.6 million from what was expected in November. GFS receipts collected by the Department of Licensing, primarily license and fee revenue, were \$0.1 million higher than expected in the last two months. Table 3.3 summarizes collection experience since the November forecast.

Revenue collections were encouraging immediately after the November 2001 forecast. Revenue Act collections in both the November 11 – December 10, 2001 (October business activity) and the December 11- January 10, 2002 collection period (November business activity) were actually a little higher than a year ago. Strong, double-digit growth in auto sales was the primary source for this surprise. Manufacturer and dealer incentives, especially “zero percent” financing, lead to double-digit increases in car and truck sales both nationally and in the state. Overall, collections based on October activity was up 0.4 percent while receipts based on November activity increased 1.7 percent. While this was significantly below year-over-year growth of retail sales nationally, it was a significant improvement from the huge decline (7.0 percent) the month before. Unfortunately, conditions rapidly deteriorated. Revenue act tax collections based on December’s business plunged. Revenue Act receipts were 7.2 percent below the year-ago-level, actually a little worse than the 7.0 percent decline based on September’s activity. December’s decline lowered the year-over-year drop for the entire fourth quarter of 2001 to 2.5 percent about the same as the 2.4 percent decline in the third quarter. Although the economy had been weakening in both the first and second quarter of 2001, much of the revenue decline in the third quarter was due to the unique events of September 11<sup>th</sup>. The revenue decline in the fourth quarter was much greater than expected and was likely entirely due the weakness of the state’s economy.

Examination of preliminary tax payment data of the state’s largest taxpayers for the most recent monthly collection period (January 11- February 10, 2002) showed significant weakness in most sectors. Double-digit declines were reported by the construction, wholesale trade, manufacturing and the hotel/motel sectors. Preliminary data indicate that tax payments by the construction sector were nearly 22 percent less than a year ago, the largest decline of any 2-digit Standard Industrial Classification (SIC) category. Construction had been weakening for several quarters, but the decline in December was greater than expected. The retail trade sector, which accounts for about half of all tax payments, was up a little, due to still strong double-digit gains in the auto sector. Aside from autos, the building materials/hardware sector was the only other sector with any significant increase. Even the service sector reported a year-over-year decline of nearly 4.0 percent.

Real estate activity based on real estate excise tax data has continued to slow in the last few months. December 2001 activity, which is based on real estate closings in December and real estate excise tax payments to the state in January 2002 was 6.1 percent lower than a year ago. Real estate activity statewide has declined every month since September and is up only 0.8 percent for calendar 2001. Most of the weakness has been in price. Statewide, the number of real estate transactions were up 9.2 percent in December and are up 4.3 percent for the year as low mortgage rates continued to attract buyers. However, the average price per transaction has been dropping. In December the average price per transaction was 14.1 percent below the year-ago level and it is down 3.4 percent for all of calendar 2001. This is especially true in King County, where the bursting of the hi-tech bubble and cuts in aerospace employment has delivered the greatest hit to the economy. December real estate activity in King County was 11.8 percent below the year-ago level. However, while the number of transactions was up 19.2 percent for the month and 2.4 percent for the year, the



average value per transaction declined 26.0 percent in December and is down 12.0 percent for the year. For calendar year 2001, taxable real estate activity in King County was 9.9 percent less than a year ago. For the rest of the state, taxable real estate activity was pretty healthy, up 9.8 percent.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were very close to the November forecast during the last three months. During the three-month period since the November forecast, Department of Licensing General Fund collections were 10.4 percent above the year-ago level and \$114,000 more than expected.

## The General Fund-State Forecast for the 2001-03 and the 2003-05 Biennia

The economy has been in recession since the first quarter of 2001. While the events of September 11<sup>th</sup> deepened the downturn, income and employment growth were slowing well before the terrorist attacks. At the national level, the recession is expected to be mild with perhaps only a one quarter decline in real output. The combination of a U.S. recession along with significant cutbacks in aerospace production and employment has made the situation in Washington State worse than for the U.S. economy as a whole. While there is mounting evidence that the national economy may have already started to recover, this is not true for the Washington economy. Both income growth and employment growth significantly slowed in the fourth quarter with a lot more job cuts in the state's aerospace industry still ahead.

The state is experiencing its first recession since the early 1980's. Both and economic and revenue growth are expected to be by far, the weakest since the 1981-83 biennium. Wage and salary employment, which increased 4.3 percent in the 1999-01 biennium, is expected to decline 0.9 percent in the 2001-03 budget period. Similarly, real personal income is expected to grow only 1.4 percent in the 2001-03 biennium after having increased 8.8 percent in the 1999-01 pe-

Table 3.4 General Fund-State Collections* (Millions of dollars)					Cash Basis
<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>1996 Chained Dollars</u>	<u>Percent Change</u>	
1961-63	\$817.1		\$3,362.6		
1963-65	866.2	6.0%	3,478.7	3.5%	
1965-67	1,128.6	30.3%	4,357.5	25.3%	
1967-69	1,440.5	27.6%	5,200.4	19.3%	
1969-71	1,732.7	20.3%	6,188.5	19.0%	
1971-73	1,922.1	10.9%	6,345.8	2.5%	
1973-75	2,372.4	23.4%	6,772.5	6.7%	
1975-77	3,395.0	43.1%	8,445.1	24.7%	
1977-79	4,490.0	32.3%	9,785.8	15.9%	
1979-81	5,356.4	19.3%	9,716.5	-0.7%	
1981-83	6,801.4	27.0%	10,729.6	10.4%	
1983-85	8,202.4	20.6%	11,952.7	11.4%	
1985-87	9,574.6	16.7%	13,127.7	9.8%	
1987-89	10,934.1	14.2%	13,919.4	6.0%	
1989-91	13,309.0	21.7%	15,561.1	11.8%	
1991-93	14,862.2	11.7%	16,237.3	4.3%	
1993-95	16,564.6	11.5%	17,296.8	6.5%	
1995-97	17,637.7	6.5%	17,638.8	2.0%	
1997-99	19,620.1	11.2%	19,028.2	7.9%	
1999-01	21,262.1	8.4%	19,791.5	4.0%	
2001-03 <sup>F</sup>	20,961.9	-1.4%	18,920.6	-4.4%	
2003-05 <sup>F</sup>	22,790.0	8.7%	19,721.9	4.2%	

<sup>F</sup> February 2002 Forecast.

\* Total General Fund-State collections-cash receipts basis. Includes rate, base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. Changes among biennia may not be comparable because the collection totals shown here include the impact of rate, base and administrative changes.

Sources: Dept. of Revenue and the Office of Financial Management.  
The Office of the Forecast Council's February 2002 Forecast.

riod. The weak economy translates directly into less General Fund-State revenue. The forecast of GFS revenue for the 2001-03 biennium is now expected to total \$20,961.9 million. This is \$300.2 million, 1.4 percent, less than collected in the 1999-01 biennium. Although GFS revenue in the 2001-03 biennium has been significantly reduced due to various tax law changes, including the passage of Initiative 728, as well as initiatives 747 and 773, much of the weakness in GFS revenue growth is due to the weak economy. Revenue growth in the 2001-03 biennium after adjusting for the impact of major tax law changes is only about 1.0 percent higher than the 1999-01 biennium. Inflation adjusted growth of the retail sales adjusted tax base is projected to decline 2.0 percent for the biennium. This is the first decline since it fell 9.1 percent in the 1981-83 biennium. It grew 8.3 percent in the 1999-01 biennium. Similarly, inflation adjusted growth of the business and occupation adjusted tax base is projected to decline 2.2 percent in the 2001-03 biennium, also the worst showing since the 1981-83 biennium.

The February 2002 forecast provides the initial outlook for the 2003-05 biennium. This biennium spans the period July 1, 2003 to June 30, 2005. As weak as the economy now appears, it is expected to improve. By the start of the 2003-05 biennium, Both the U.S. and the Washington economies are expected to be out of recession. State personal income and employment growth are expected to be well above the depressed levels experienced during the 2001-03 biennium. The outlook for GFS revenue is expected to improve along with the economy. GFS revenue in the 2003-05 biennium is expected to total \$22,790 million. This is \$1.8 billion (8.7 percent) more than in the 2001-03 biennium. This increase is reduced by significantly higher transfers from the General Fund to the Student Achievement Account required by Initiative 728. Initiative 728 property tax transfers increases from around \$130 million in fiscal 2002, 2003 and 2004 to \$426 million in fiscal 2005. (See table 17.) Excluding the impact of the I-728 property tax transfers, GFS growth would be 10.0 percent for the 2003-05 biennium.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax, (state school levy) comprise the majority of Washington's total GFS revenue. These three taxes accounted for more than 85 percent of the \$21.3 billion total GFS cash receipts in the 1999-01 biennium. This percentage is expected to rise to 86.9 percent of total GFS revenue in the 2001-03 biennium. These three taxes are expected to comprise 86.7 percent of GFS revenue in the 2003-05 biennium. The jump in the 2001-03 biennium is primarily due to a change in the disposition of lottery proceeds. Prior to the 2001-03 biennium, the majority of Lottery proceeds were deposited into the General Fund. Due to Initiative 728, beginning in fiscal 2002, most lottery proceeds will be deposited in the Student Achievement Account and the School Construction Account instead of the General Fund. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 80 percent in the 1991-93 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state's largest revenue source generated \$11.7 billion, 55.0 percent of total GFS revenue in the 1999-01 biennium. Sales and use taxes are expected to again produce \$11.7 billion, 55.9 percent of total GFS revenue in the 2001-03 biennium. Sales and use tax is expected to total \$12.9 million and account for 56.6 percent of GFS revenue in the 2003-05 biennium. The business and occupation tax totaled \$3.8 billion in the 1999-01 biennium, 17.8 percent of total GFS revenue. This tax is expected to produce \$3.9 billion, 18.7 percent of the total in the 2001-03 biennium and \$4.4 billion, 19.4 percent of GFS revenue in the 2003-05 biennium. The state share of the property tax totaled \$2.7 billion, 12.5 percent of total GFS revenue in the 1999-01 biennium. It is forecast to produce \$2.6 billion in the 2001-03 biennium,

Chart 3.1  
General Fund-State Revenue

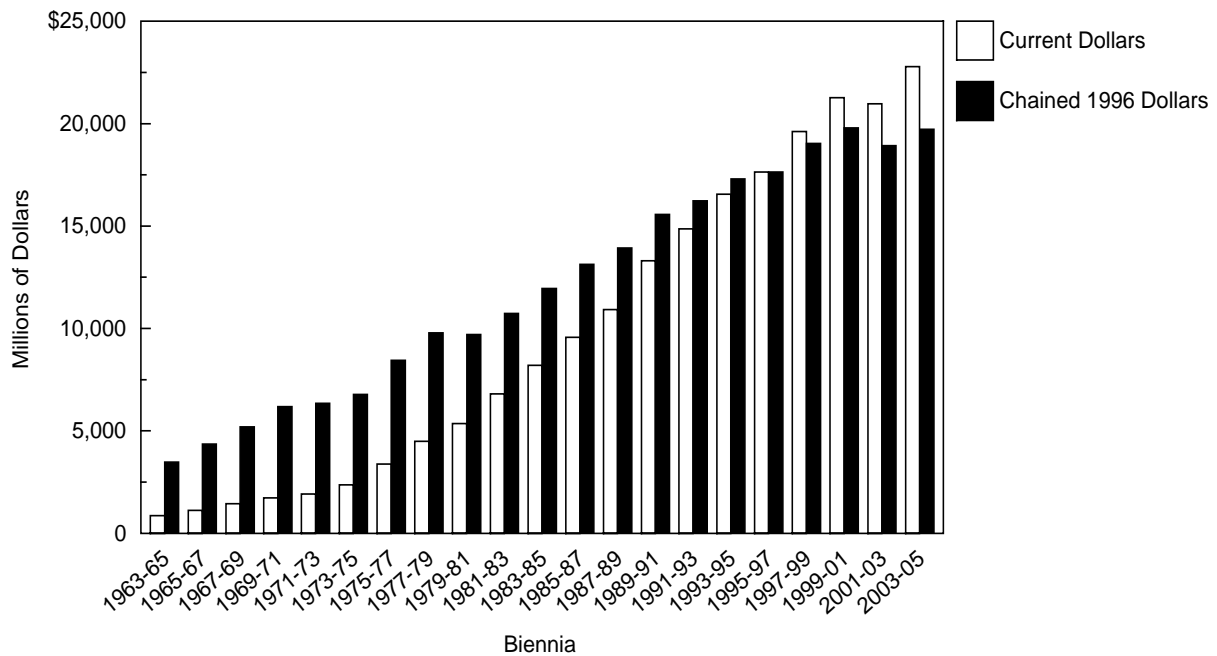


Chart 3.2  
General Fund-State Revenue - Percent Change

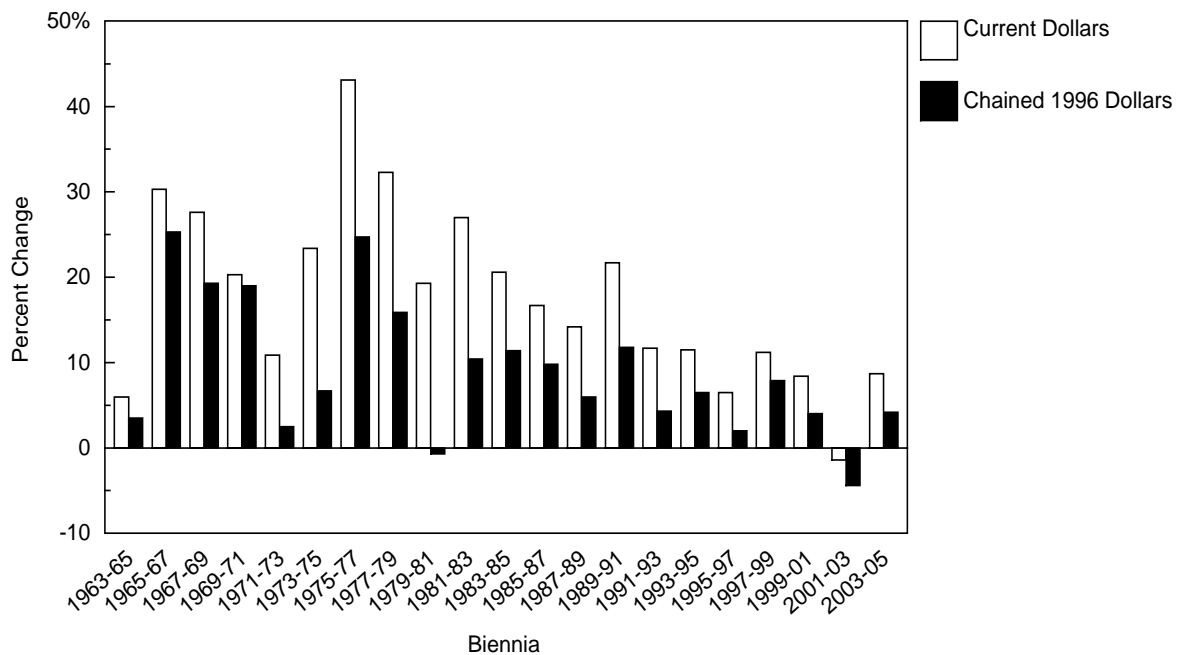


Chart 3.3  
**Composition of General Fund-State Revenue**

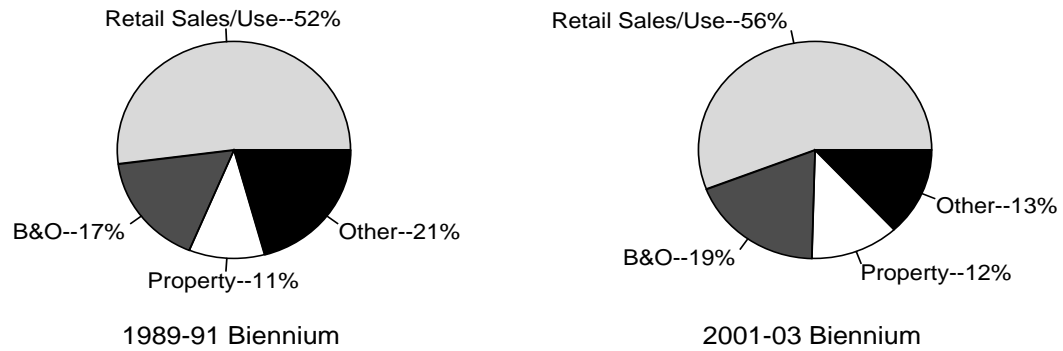
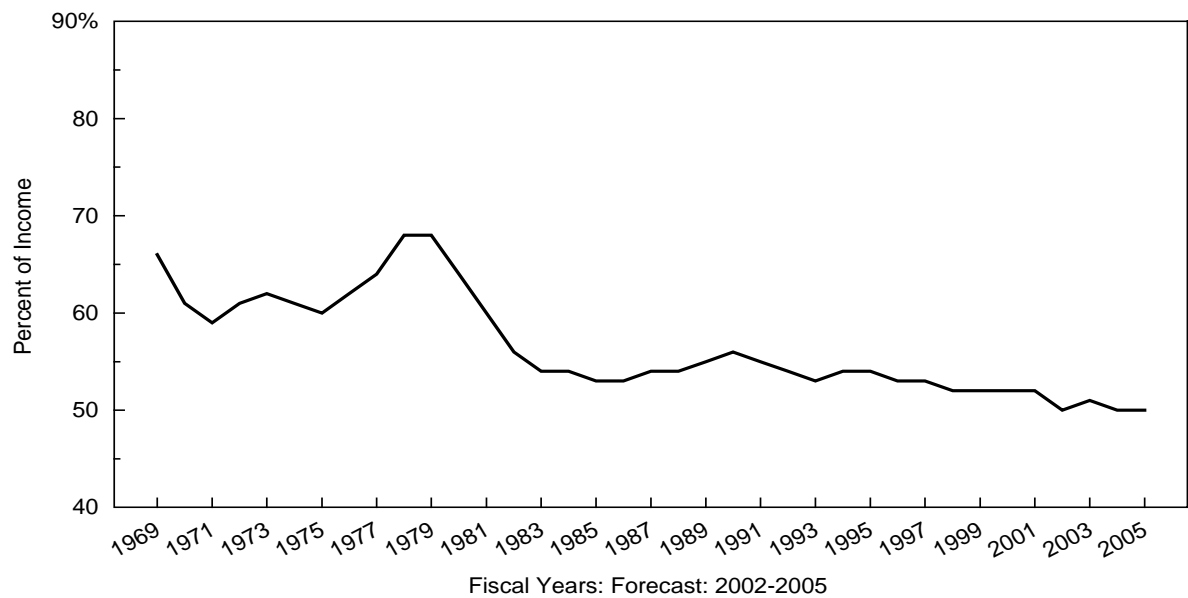


Chart 3.4  
**Taxable Sales\* as a Percent of Personal Income**



\* Adjusted Base

12.3 percent of total GFS revenue and \$2.5 million, 10.8 percent of total GFS revenue in the 2003-05 biennium. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement Account. The amount of the state levy transferred from the General Fund to the Student Achievement Account rises rapidly from \$267.1 million in the 2003-03 biennium (the first biennium affected by the I-728 transfer) to \$560 million in the 2003-05 biennium. (See table 3.17.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$21.2 billion in the third quarter of 2001. This was 2.3 percent below the year-ago level. Last quarter was 0.2 percent below the year-ago level. This is the first time since the 1982-83 recession that we have had two consecutive quarters with year-over-year declines in taxable sales. This is in sharp contrast to activity nationally. U.S. retail sales increased 3.9 percent in the second quarter and 2.0 percent in the third quarter on a year-over-year basis. Preliminary data indicate U.S. retail sales increased 5.3 percent in the fourth quarter. Early indications that taxable sales in Washington were below the year-ago level in the fourth quarter. Although the make-up of U.S. retail sales and taxable sales in Washington State are quite different there usually is a loose correlation between the growth of these series over time. This clearly was not the case in the second and third quarters of 2001 nor does it appear to hold in the fourth quarter. The significant difference in the behavior of these two series the past couple of quarters highlights the current weakness of the Washington's economy relative to the national economy.

An analysis of the growth of taxable sales in the third quarter of 2001 by sector shows the retail trade sector, which accounts for about half of all taxable sales, was 1.0 percent below the year-ago level. This follows no growth last quarter and a 0.6 percent decline in the first quarter. As was the case last quarter, taxable sales reported by auto, and furniture and appliance retailers were below the year-

**Table 3.5**  
**Taxable Retail Sales\***  
February 2002 Forecast  
(Millions of Dollars)

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>	<u>Percent</u> <u>Change</u>
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,385	8.0%
2001	85,618	2.7%
2002 <sup>F</sup>	82,901	-3.2%
2003 <sup>F</sup>	86,541	4.4%
2004 <sup>F</sup>	91,068	5.2%
2005 <sup>F</sup>	96,047	5.5%

<sup>F</sup> Forecast.

\* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984). Base extended to some personal services effective July 1994. Exemption of manufacturing equipment effective fiscal 1996. Additional sales tax exemptions (including an exemption for R&D equipment) effective fiscal 1997. Changes in reporting, effective 1997. Additional exemptions effective fiscal 1999, 2000, 2001 and 2002.

ago level in the third quarter. Miscellaneous retailers also reported a year-over year decline. General merchandise retailers reported only a 1.5 percent increase in the third quarter. Eating and drinking places also reported a weak, 1.4 percent increase. Food stores reported a 2.8 percent increase in the third quarter, the same as last quarter. The only bright spot in the retailing sector was the building materials and hardware sector which reported a 5.0 percent gain, after four consecutive quarters of year-over-year declines. Overall, taxable sales reported by non-retailing sectors declined 3.7 percent. The year-over-year change varied widely among sectors. The contract construction sector, which accounts about 15 percent of all taxable sales, reported a 4.3 percent decline in the third quarter. This follows a 3.3 percent decline last quarter. Taxable sales reported by the service sector were only 0.7 percent above the year-ago level in the third quarter of 2001, after increasing 2.9 percent in the second quarter. This sector was hurt by weakness in the travel sector due in part to the attacks on September 11<sup>th</sup>. Hotel/motel establishments reported a 3.1 percent drop in taxable sales in the third quarter. However, the business service sector reported an even larger decline, 4.3 percent. Taxable sales reported by the manufacturing sector were down 1.9 percent in the third quarter while the finance, insurance and real estate sector reported a 1.4 percent increase. Taxable sales reported by the transportation, communications and utility sector also increased 1.4 percent. Taxable sales reported by wholesalers declined 12.7 percent in the third quarter. This is the fourth consecutive quarterly decline reported by this sector.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 4.8 percent lower than a year ago in the third quarter of 2001. Taxable sales increased 1.7 percent in the rest of the state. Taxable sales declined 7.2 percent in King County and 1.2 percent in Snohomish County. Taxable sales growth remained positive in Pierce County, increasing 2.5 percent. Taxable sales in Spokane County declined 1.8 percent. Eastern Washington counties as a whole reported taxable sales growth of 1.8 percent in the third quarter compared to a 3.2 percent decline west of the Cascades. Taxable sales were down 3.0 percent in metropolitan counties in the third quarter while increasing 1.7 percent in non-metropolitan counties.

In the late 1990's the state enjoyed a very strong economy. Technology was red-hot, construction was booming and aerospace employment reached a cyclical high. Strong income and employment growth resulted in very good years for taxable sales. Taxable sales increased 8.0 percent in fiscal 1998, 7.1 percent in fiscal 1999 and 8.0 percent in fiscal 2000. Taxable sales growth began to rapidly decelerate in the second half of calendar year 2000 as the U.S economy began to slow and job losses started to mount in Washington's hi-tech and aerospace sectors. This deceleration has turned into outright declines. Taxable sales have declined for the last two quarters and are expected to decline for the next two. Taxable sales grew only 2.7 percent in fiscal 2001. The outlook for fiscal 2002 is worst. Taxable sales are expected to decline 3.2 percent in fiscal 2002.

Although the national economy likely has already started to recover, the state's economy has not. A rebound of taxable sales depends on the willingness of consumer and business to spend. Any real improvement in spending will not occur until job growth resumes. This is now expected to be in mid 2002. The February forecast expects taxable sales growth to recover in fiscal 2003, along with the economy. The improvement will be moderate, with taxable sales expected to increase 4.4 percent in fiscal 2003. The forecast expects taxable sales growth to continue to improve next biennium. Taxable sales are expected to increase 5.2 percent in fiscal 2004 and 5.5 percent in fiscal 2005. The strength in the 2003-05 biennium is entirely due to the economy. Both state personal income and employment are expected to grow moderately in fiscal 2004 and 2005 providing the

framework for a modest rebound in consumer and business spending.

## **Forecast Change for the 2001-03 Biennium**

The February 2002 outlook for GFS revenue for the 2001-03 biennium is \$246.8 million lower than in November. This change is comprised of a \$265.7 million reduction due to a weaker economic outlook and an \$18.9 million increase due to a non-economic adjustment. While the national economy has improved since the November forecast, the Washington economy has worsened. Both state job and income growth are weaker than assumed in November. In addition collections from major excise taxes (sales, B&O, use and public utility taxes) are well below expectations in the fourth quarter. The combination of a weak job and income growth and weaker than expected collections lowered the GFS forecast for the 2001-03 biennium by \$265.7 million. The economic change was partially offset by an \$18.9 million non-economic adjustment to the estate tax forecast. This reflects a new legal interpretation of the effect of the phase-out of the federal estate tax on Washington's estate tax. In addition to the revision to the GFS forecast for the 2001-03 biennium, total GFS cash receipts for the 1999-01 biennium was revised upward by \$0.1 million.

Table 3.6 summarizes the changes to the February 2002 cash forecast for the 2001-03 biennium by type of change. Tables 3.7 and 3.8 summarize revisions to actual GFS revenue for the 2001-03 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the initial forecast of GFS revenue for the 2003-05 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides a fiscal year forecast by major revenue source (cash basis). Below is a brief summary of changes to the forecast by agency.

## **Department of Revenue**

The Department of Revenue collects and administers the majority of GFS revenue, accounting for nearly 98 percent of the total for the 2001-03 biennium. The February 2002 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$249.8 million lower than in November. Most of the change, \$268.7 million, is due to a weaker economic outlook. This includes \$18.9 million of losses already realized due to weaker than expected collections in the three months since the November forecast. There was small offset to this reduction. A new legal interpretation of the effect of the phase-out of the federal estate tax on Washington's estate tax resulted in an increase of \$18.9 million to the GFS forecast (estate tax).

The weaker economic outlook lowered the forecast for several of the Department of Revenue major sources for the 2001-03 biennium. The February retail sales forecast is \$243.9 million lower than in November and the business and occupation tax forecast is \$57.3 million less. Other large reductions include: a \$19.9 million reduction to the real estate excise tax forecast and a \$10.3 million reduction to the use tax forecast. There were some increases to the forecast in February. The estate tax forecast is \$40.0 million higher than in November and the property tax (state levy) forecast is \$15.6 million higher than in February. Most of the reductions to the forecast reflect less spending and economic activity due to slower income and employment growth. The increase to the estate tax forecast reflects both an economic and a non-economic adjustment. More than half of the \$40.0 million increase to the estate tax, \$21.1 million, reflects higher than previously expected collections. Most of this increase has already been realized with the payment of two unusually large estates (\$16.2 million) in December of 2001. The remaining \$18.9 million increase to the

Table 3.6

**Summary of Changes to the General Fund-State Forecast**

February 2002 Cash Forecast

(Millions of dollars)

		<b>February 2002</b>
		<b><u>Change</u></b>
<b><u>2001-03 Biennium</u></b>		
<b><i>Collection Experience</i></b>		<b>(\$18.8)</b>
Department of Revenue		
Major Excise <sup>1</sup>	(40.4)	
Other <sup>2</sup>	21.5	
Department of Licensing <sup>2</sup>	0.1	
 <b><i>Non Economic Change</i><sup>3</sup></b>		 <b>18.9</b>
 <b><i>Forecast Change for remainder of the 2001-03 Biennium</i></b>		 <b>(\$246.9)</b>
Department of Revenue	(249.8)	
All other	2.9	
 <b><u>Total Change: 2001-03 Biennium*</u></b>		 <b>(\$246.8)</b>

<sup>1</sup> Variance based on collections from November 11-February 10, 2002; retail sales, B&O, use & public utility taxes.<sup>2</sup> Variance based on collections November 2001 through January 2002.<sup>3</sup> Adjustment to the estate tax.

\* Detail may not add due to rounding.



Table 3.7

**Comparison of the General Fund-State Forecast by Agency****2001-03 Biennium; Cash Basis**

(Millions of dollars)

<b>Forecast by Agency</b>	<b>November 2001 Forecast<sup>1</sup></b>	<b>Non- Economic Changes-2</b>	<b>February 2002 Revision</b>	<b>February 2002 Forecast</b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$11,230.3		(\$243.9)	\$10,986.4	(\$243.9)
Business & Occupation Use	3,972.2		(57.3)	3,914.9	(57.3)
Public Utility	738.1		(10.3)	727.8	(10.3)
Liquor Sales/Liter	492.1		7.4	499.5	7.4
Cigarette	177.7		3.0	180.7	3.0
Property (State Levy)	107.8		6.1	113.9	6.1
Real Estate Excise	2,566.3		15.6	2,581.9	15.6
Timber Excise	809.9		(19.9)	789.9	(19.9)
Other	15.5		0.0	15.6	0.0
Subtotal	617.6	18.9	30.6	667.1	49.5
	20,727.3	18.9	(268.7)	20,477.6	(249.8)
<b>Department of Licensing</b>					
Boat excise, licenses & fees	42.5		(1.5)	41.0	(1.5)
<b>Insurance Commissioner</b>					
Insurance Premiums	353.2		12.6	365.7	12.6
<b>Liquor Control Board</b>					
Liquor Profits and Fees	57.5		(1.9)	55.6	(1.9)
Beer & Wine Surtax	3.3		0.0	3.3	0.0
<b>Lottery Commission</b>					
Lottery Revenue	0.0		0.0	0.0	0.0
<b>State Treasurer</b>					
Interest Earnings	19.3		2.6	21.9	2.6
<b>Office of Financial Management</b>					
Other	5.4		(8.7)	(3.2)	(8.7)
<b>Total General Fund-State *</b>	<b>\$21,208.7</b>	<b>\$18.9</b>	<b>(\$265.7)</b>	<b>\$20,961.9</b>	<b>(\$246.8)</b>

1 The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in November 2001.

2 New interpretation of the effect of the phase-out of the Federal estate tax on Washington's estate tax.

\* Detail may not add to totals due to rounding.

Table 3.8

**Comparison of the General Fund-State Forecast by Agency  
2001-03 Biennium; GAAP Basis**

(Millions of dollars)

<b>Forecast by Agency</b>	<b>November 2001 Forecast<sup>1</sup></b>	<b>Non- Economic Changes<sup>2</sup></b>	<b>Forecast Revision</b>	<b>February 2002 Forecast</b>	<b>Total Change</b>
<b><i>Department of Revenue</i></b>					
Retail Sales	\$11,276.2		(\$245.4)	\$11,030.8	(\$245.4)
Business & Occupation Use	3,993.8		(57.7)	3,936.1	(57.7)
Public Utility	737.5		(9.9)	727.7	(9.9)
Liquor Sales/Liter	493.5		8.1	501.6	8.1
Cigarette	177.9		3.7	181.6	3.7
Property (State Levy)	108.3		6.1	114.4	6.1
Real Estate Excise	2,561.6		15.6	2,577.2	15.6
Timber Excise	814.0		(19.9)	794.1	(19.9)
Other	15.5		0.0	15.6	0.0
Subtotal	617.6	18.9	30.8	667.3	49.8
	20,796.1	18.9	(268.4)	20,546.5	(249.5)
<b><i>Department of Licensing</i></b>					
Boat excise, licenses & fees	43.1		(1.4)	41.7	(1.4)
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	353.2		12.6	365.7	12.6
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	57.5		(1.9)	55.6	(1.9)
Beer & Wine Surtax	3.3		0.0	3.3	0.0
<b><i>Lottery Commission</i></b>					
Lottery Revenue	0.0		0.0	0.0	0.0
<b><i>State Treasurer</i></b>					
Interest Earnings	13.6		2.3	15.9	2.3
<b><i>Office of Financial Management</i></b>					
Other	7.6		(10.9)	(3.3)	(10.9)
<b><u>Total General Fund-State *</u></b>	<b><u>\$21,274.4</u></b>	<b><u>\$18.9</u></b>	<b><u>(\$267.8)</u></b>	<b><u>\$21,025.5</u></b>	<b><u>(\$248.9)</u></b>

1 The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in November 2001.

2 New interpretation of the effect of the phase-out of the Federal estate tax on Washington's estate tax.

\* Detail may not add to totals due to rounding.

Table 3.9  
**Comparison of the General Fund-State Forecast by Agency**  
**2003-2005 Biennium; Cash Basis**  
(Millions of Dollars)

<b>Forecast by Agency</b>	<b>November 2001 Forecast</b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>February 2002 Forecast1</b>	<b>Total Change</b>
<b><i>Department of Revenue</i></b>					
Retail Sales	NA		NA	\$10,986.4	NA
Business & Occupation	NA		NA	3,914.9	NA
Use	NA		NA	822.8	NA
Public Utility	NA		NA	530.1	NA
Liquor Sales/Liter	NA		NA	184.3	NA
Cigarette	NA		NA	99.5	NA
Property (State Levy)	NA		NA	2,455.0	NA
Real Estate Excise	NA		NA	909.4	NA
Timber Excise	NA		NA	9.2	NA
Other	NA		NA	726.5	NA
Subtotal	NA		NA	20,638.1	NA
<b><i>Department of Licensing</i></b>					
Boat excise, licenses & fees	NA		NA	42.6	NA
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	NA		NA	397.9	NA
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	NA		NA	55.7	NA
Beer & Wine Surtax	NA		NA	3.5	NA
<b><i>Lottery Commission</i></b>					
Lottery Revenue	NA		NA	0.0	NA
<b><i>State Treasurer</i></b>					
Interest Earnings	NA		NA	45.2	NA
<b><i>Office of Financial Management</i></b>					
Other	NA		NA	19.9	NA
<b><u>Total General Fund-State *</u></b>	NA		NA	<b>\$21,202.8</b>	NA

1 The initial forecast for the 2003-05 biennium.

\* Detail may not add to totals due to rounding.

Table 3.10

**Comparison of the General Fund-State Forecast by Agency  
2003-2005 Biennium; GAAP Basis**

(Millions of dollars)

	November 2001 Forecast	Non- Economic Changes	Forecast Revision	February 2002 Forecast <sup>1</sup>	Total Change
<b><u>Forecast by Agency</u></b>					
<b><i>Department of Revenue</i></b>					
Retail Sales	NA		NA	\$12,119.7	NA
Business & Occupation Use	NA		NA	4,437.6	NA
Public Utility	NA		NA	826.6	NA
Liquor Sales/Liter	NA		NA	533.7	NA
Cigarette	NA		NA	184.6	NA
Property (State Levy)	NA		NA	99.6	NA
Real Estate Excise	NA		NA	2,455.0	NA
Timber Excise	NA		NA	913.0	NA
Other	NA		NA	9.2	NA
Subtotal	NA		NA	727.5	NA
				22,306.5	NA
<b><i>Department of Licensing</i></b>					
Boat excise, licenses & fees	NA		NA	42.7	NA
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	NA		NA	397.9	NA
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	NA		NA	55.7	NA
Beer & Wine Surtax	NA		NA	3.5	NA
<b><i>Lottery Commission</i></b>					
Lottery Revenue	NA		NA	0.0	NA
<b><i>State Treasurer</i></b>					
Interest Earnings	NA		NA	47.8	NA
<b><i>Office of Financial Management</i></b>					
Other	NA		NA	19.9	NA
<b><u>Total General Fund-State*</u></b>	NA		NA	<b>\$22,873.9</b>	NA

<sup>1</sup>The Initial forecast for the 2003-05 biennium.

\* Detail may not add to totals due to rounding.

Table 3.11  
**February 2002 General Fund-State Forecast**  
**2001-03 & 2003-05 Biennia; Cash Basis**  
(Millions of dollars)

<b>Forecast by Source</b>	<b>Fiscal 2001a</b>	<b>Fiscal 2002</b>	<b>Fiscal 2003</b>	<b>2001-03 Biennium</b>	<b>Fiscal 2004</b>	<b>Fiscal 2005</b>	<b>2003-2005 Biennium</b>
<b>State Taxes</b>							
Retail sales	\$5,503.1	\$5,389.2	\$5,597.1	\$10,986.4	\$5,893.1	\$6,178.0	\$12,071.2
Business & occupation	1,961.6	1,926.5	1,988.4	3,914.9	2,141.1	2,276.2	4,417.3
Use	399.8	362.0	365.8	727.8	398.4	424.4	822.8
Public Utility	259.1	248.2	251.2	499.5	260.0	270.1	530.1
Liquor sales/liter	87.2	89.8	90.9	180.7	91.7	92.6	184.3
Beer & wine surtax	1.6	1.7	1.7	3.3	1.7	1.7	3.5
Cigarette	68.2	62.0	51.9	113.9	50.4	49.1	99.5
Tobacco products	16.7	16.0	14.4	30.4	15.2	15.7	30.9
Property (state school levy)**	1,349.9	1,269.8	1,312.1	2,581.9	1,351.4	1,103.7	2,455.0
Public utility district	29.9	30.6	31.7	62.3	33.8	36.1	69.8
Real estate excise	400.4	384.4	405.5	789.9	436.8	472.5	909.4
Timber excise	15.2	9.3	6.2	15.6	4.7	4.5	9.2
Estate/inheritance	107.1	101.1	104.4	205.5	111.0	114.3	225.3
Motor Veh. Exc. & Rental Car	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Boat excise	11.4	11.5	11.5	23.0	11.8	12.2	24.0
Insurance premiums	179.5	179.4	186.3	365.7	194.4	203.5	397.9
Other	136.5	122.3	122.6	244.9	131.4	138.4	269.8
<b>Total Taxes</b>	<b>10,527.3</b>	<b>10,203.9</b>	<b>10,541.8</b>	<b>20,745.7</b>	<b>11,126.9</b>	<b>11,393.1</b>	<b>22,519.9</b>
<b>State Non-Tax Sources</b>							
Licenses, permits, fees	75.5	75.7	76.8	152.5	78.8	81.5	160.3
Liquor profits & fees	29.1	26.6	28.9	55.6	28.1	27.6	55.7
Earnings on investments	77.1	29.3	(7.4)	21.9	21.4	23.7	45.2
Lottery transfers	110.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	9.9	(20.7)	6.9	(13.8)	3.6	5.2	8.8
<b>Total Non-Tax</b>	<b>301.6</b>	<b>110.9</b>	<b>105.2</b>	<b>216.2</b>	<b>132.0</b>	<b>138.1</b>	<b>270.0</b>
<b>Total General Fund-State *</b>	<b>\$10,828.9</b>	<b>\$10,314.8</b>	<b>\$10,647.1</b>	<b>\$20,961.9</b>	<b>\$11,258.8</b>	<b>\$11,531.1</b>	<b>\$22,790.0</b>

A Actual

\* Detail may not add to totals due to rounding.

\*\* General Fund-State portion of the state levy AFTER transfers to the Student Achievement Account.

estate tax forecast reflects a non-economic adjustment. In the June 2001 forecast, the estate tax forecast was reduced by \$19.7 million due to the enactment by the U.S. Congress and signing by President Bush of the H.R. 1836. This legislation included the phase-out of the federal estate tax and the elimination of the federal estate tax credits for state taxes. At that time it was assumed that passage of federal legislation would reduce Washington's estate tax by \$19.7 million in fiscal 2003. Subsequent to this reduction, a new legal interpretation indicates that until the legislature acts to amend Washington's estate tax statute, Washington's estate tax is tied to the federal estate tax as of a January 2001. Thus the adjustment made in June 2001 was, in retrospect, in error since it did not reflect "current law" at least in relation to this new interpretation. The February 2002 forecast adds back most, \$18.9 million, of the \$19.7 million removed in June 2001. Because Washington's estate tax still incorporates the tax rates prior to the change in the Federal law there may be some loss in revenue due to less compliance, hence the amount added back to the forecast in February is a little less than what was removed in June.

## **Department of Licensing**

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the 2001-03 biennium has been decreased \$1.5 million to \$41.0 million. Its initial forecast for the 2003-05 biennium is \$42.6 million.

## **The Office of Financial Management (Other Agencies)**

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The forecast for the 2001-03 biennium has been decreased \$8.7 million and now stands at negative \$3.2 million, indicating that General Fund revenue and transfers from the General Fund are expected to exceed the revenue and transfers to the General Fund by the agencies overseen by the OFM. The bulk of the forecasted revenue decrease came from the Securities Division of the Department of Financial Institutions as a result of lower actual and expected fees related to securities investment activity. The OFM's initial forecast for the 2003-05 biennium is \$19.9 million.

## **State Treasurer**

The forecast and actual experience of the Office of the State Treasurer is based primarily on rate conditions and average daily balances for the funds within the Treasurer's control. The office's forecasted General Fund-State revenues for the 2001-03 biennium were increased \$2.3 million mainly due to higher than anticipated actual balances. The office's forecast for the current biennium is now \$15.9 million and its initial forecast for the 2003-05 biennium is \$47.8 million.

Table 3.12

Cash Basis

**Track Record for the 1999-01 General Fund-State Cash Forecast**

February 1998 through February 2002

(Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 1998****</b>	<b>\$19,656</b>	<b>\$1,246</b>				<b>\$20,902</b>
<b>Changes to Forecast</b>						
June 1998	13	13	26	(65) <sup>1</sup>	(39)	20,864
September 1998	(181)	(13)	(195)	0	(195)	20,669
November 1998	(13)	(6)	(19)	(471) <sup>2</sup>	(490)	20,179
March 1999	65	36	100	(7) <sup>3</sup>	94	20,273
June 1999	172	(2)	170	(23) <sup>4</sup>	147	20,419
September 1999	88	5	93	0	93	20,512
November 1999	186	4	191	25 <sup>5</sup>	215	20,727
February 2000	142	4	146	(30) <sup>6</sup>	115	20,843
June 2000	243	(10)	233	(3) <sup>7</sup>	230	21,073
September 2000	56	(6)	51	7 <sup>8</sup>	57	21,130
November 2000	36	13	49	(10) <sup>9</sup>	39	21,169
March 2001	115	19	134	10 <sup>10</sup>	143	21,312
June 2001	(32)	5	(27)	(0)	(27)	21,285
September 2001	(30)	6	(24)	0	(24)	21,261
November 2001	0	1	1	0	1	21,262
February 2002	0	0	0	0	0	21,262
<b>Total Change***</b>						
<b>From February 1998</b>	<b>\$859</b>	<b>\$69</b>	<b>\$928</b>	<b>(\$568)</b>	<b>\$360</b>	
<b>Percent change</b>	<b>4.4%</b>	<b>5.5%</b>	<b>4.4%</b>	<b>-2.7%</b>	<b>1.7%</b>	

\* Excludes legislative, judicial, statutorily required or other major non-economic changes.

\*\* Includes legislative, judicial, statutorily required or other major non-economic changes.

\*\*\* Detail may not add to total due to rounding.

\*\*\*\* First official forecast for the 1999-01 biennium.

1 Change to the forecast due to 1998 legislation. (Excluding the impact of referendum 49 and SHB 3015).

Major changes include: repeal of the B&amp;O tax on internal distribution, consolidation/reduction of B&amp;O tax rates, and a tax credit for firms engaged in international investment services.

2 Change to the forecast due to passage of Referendum 49.

3 Change to the forecast due to impact of SHB 3015 (2nd Narrows Bridge).

4 Change to the forecast due 1999 tax legislation (-\$25.1 million), budget driven revenue (\$29.9 million) and a statutorily required transfer to the Water Quality Account (-\$26.8 million).

5 Change to the GFS forecast due to passage of Initiative 695; this is the net impact of rental car tax going to the General Fund and the loss of camper/travel trailer excise tax revenue.

6 Due to legal uncertainties concerning the disposition of the rental car tax and legal considerations implying that most or all of the rental car distributions may not have been intended for deposit in the General Fund after passage of I-695, these revenues are not presently included in the General Fund-State forecast. In addition the ride-share credit was eliminated as of January 1, 2000; this was not previously included in the forecast.

7 The impact of 2000 legislation. Note the impact of the Telepage court case (extending the sales tax to paging services) is included as a Department of Revenue forecast change.

8 Revised impact of the salmon recovery timber tax credit.

9 Impact of Initiative 722 on General Fund-State revenue.

10 Adjustment to the impact of Initiative 722 on General Fund-State revenue.

Table 3.13

**Track Record for the 2001-03 General Fund-State Cash Forecast**

February 2000 through February 2001

(Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2000****</b>	<b>\$21,728</b>	<b>\$805</b>				<b>\$22,534</b>
<b>Changes to Forecast</b>						
June 2000	99	(25)	74	(3) <sup>1</sup>	71	22,604
September 2000	158	(1)	157	5 <sup>2</sup>	162	22,766
November 2000	32	12	43	(482) <sup>3</sup>	(439)	22,327
March 2001	(126)	2	(124)	12 <sup>4</sup>	(112)	22,216
June 2001	(61)	(29)	(89)	(27) <sup>5</sup>	(116)	22,099
September 2001	(101)	6	(96)	18 <sup>6</sup>	(77)	22,022
November 2001	(698)	(81)	(779)	(34) <sup>7</sup>	(813)	21,209
February 2002	(269)	3	(266)	19 <sup>8</sup>	(247)	20,962
<b>Total Change***</b>						
<b>From February 2000</b>	<b>(\$966)</b>	<b>(\$113)</b>	<b>(\$1,079)</b>	<b>(\$492)</b>	<b>(\$1,572)</b>	
<b>Percent change</b>	<b>-4.4%</b>	<b>-14.0%</b>	<b>-4.8%</b>	<b>-2.2%</b>	<b>-7.0%</b>	

\* Excludes legislative, judicial, statutorily required or other major non-economic changes.

\*\* Includes legislative, judicial, statutorily required or other major non-economic changes.

\*\*\* Detail may not add to total due to rounding.

\*\*\*\* First official forecast for the 2001-03 biennium.

1 Impact of 2000 legislation. Note the impact of the Telepage court case (extending the sales tax to paging services). This impact is included as a Department of Revenue forecast change.

2 Revised impact of the salmon recovery timber tax credit.

3 Impact of Initiatives 722 and 728. The estimate of initiative 728 is based on OFM analysis, subject to continuing review.

4 Adjustment to the impact of Initiatives 722 and 728.

5 Impact of 2001 legislation (regular session) and the phase-out of the Federal estate tax.

6 Impact of 2001 legislation (special session).

7 Impact of I-747 and I-773 on GFS revenue.

8 Adjustment to the estate tax.



## **Insurance Commissioner**

The forecast for the Office of the Insurance Commissioner is based on projections for premium volume of insurance companies in the State of Washington. Expectations are based on both insurance rate changes and the growth of premium volume. The office's General Fund-State forecast for the 2001-03 biennium was increased \$12.6 million due to increased forecasted and actual premium volume. The office's forecast for the current biennium is now \$365.7 million and its initial forecast for the 2003-05 biennium is \$379.9 million.

## **Liquor Control Board**

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The agency's forecast for the 2001-03 biennium was decreased by \$2.0 million due to increased business expenses. The agency's forecast for the current biennium is \$55.6 million from excess funds and fees and \$3.3 million from beer and wine surtaxes. Its initial forecast for the 2003-05 biennium is \$55.7 million from excess funds and fees and \$3.5 million from beer and wine surtaxes.

## **Track Record for the 1999-01 Biennium**

A final revision to fiscal 2001 increases total General Fund-State cash receipts for the 1999-01 biennium to \$21,262.1 million. This is \$0.1 million more than reported in November 2001. Actual GFS revenue for the 1999-01 biennium is \$360 million, 1.7 percent, higher than the February 1998 forecast, which was the initial forecast for the 1999-01 biennium. The total change to the 1999-01 forecast over the last three and a half years is relatively small only because tax law changes (reductions) have offset additions to the forecast due to a strong economy. Excluding tax law changes, actual cash receipts for the 1999-01 biennium are \$928 million (4.4 percent) above the February 1998 forecast. The forecast for the 1999-01 biennium has been updated fourteen times since the initial forecast in February 1998. There were ten increases to the forecast for the 1999-01 biennium and four reductions (excluding the minor data revisions made in November 2001 and February 2002). Table 3.12 summarizes the quarterly updates to the GFS forecast for the 1999-01 biennium.

## **Track Record for the 2001-03 Biennium**

The February 2002 GFS cash receipts forecast for the 2001-03 biennium is \$20,961.9 million. This is \$246.8 million less than the November 2001 forecast. The February 2002 forecast is \$1.6 billion below the February 2000 forecast, which was the initial forecast for the biennium. However, some of this reduction reflects non-economic changes. Excluding the impact of non-economic factors, primarily the impact of Initiative 728, the November forecast is \$1,079 million (4.8 percent) lower than the February 2000 forecast. There have been eight revisions to the forecast for the 2001-03 biennium since February 2000. There have been three increases to the forecast and five reductions including the reduction this quarter. The last two revisions, in November 2001 and February 2002, account for virtually all of the economic change to the forecast for the 2001-03 biennium since the initial forecast in February 2000. Table 3.13 summarizes the changes to the GFS forecast for the 2001-03 biennium since February 2000.

## **The Relationship between the Cash and GAAP General Fund-State Revenue Forecasts**

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GFS revenue forecast on both a cash and GAAP basis. Thus, there are two related but distinct GFS forecasts summarized in this chapter: a cash receipts forecast and a GAAP revenue forecast. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GFS forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.8 and 3.10 are on a cash basis.

Table 3.14 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 1999-01 biennium totaled \$21,287.8 million on a GAAP basis, \$25.8 million higher than the \$21,262.1 million cash receipts total. The GAAP forecast for the 2001-03 biennium is \$21,025.5 million, \$63.6 million more than the \$20,961.9 million cash forecast. The GFS forecast for the 2003-05 biennium is \$22,873.9 million on a GAAP basis, \$83.9 million more than the \$22,790.0 million cash forecast.

Table 3.15 presents the budgetary balance sheet for the 1999-01 and 2001-03 biennia. The 1999-01 biennium ended with GFS unrestricted reserves of \$599.7 million. In addition the preliminary Emergency Reserve Fund balance, which requires a two-thirds of the legislature to appropriate, totaled \$462.1 million on June 30, 2001, the end of the 1999-01 biennium. For the 2001-03 budget period, there currently is a projected cash deficit for the General Fund. Based on the February 2002 forecast, the General Fund is projected to have a cash deficit of \$993.7 million at the end of the 2001-03 biennium. The current GFS forecast of for the 2001-03 biennium of \$20,961.9 million, together with a beginning balance of \$599.7 million, carried over from last biennium, is now \$993.7 million less than the current biennial appropriation amount of \$22,783.2 million. This deficit is \$246.8 million more than in November due to the downward revision to projected revenue for the biennium. The unrestricted cash deficit for the 2001-03 biennium is also much higher than the \$384.4 million currently projected for the Emergency Reserve Fund. The \$993.7 million GFS cash shortfall on the balance sheet in table 3.15 does not take into account higher forecasts for the state's prison population, school enrollments and social service caseloads that need to be addressed. With these higher caseloads the size of the cash deficit is estimated to rise to between \$1.5 billion and \$1.6 billion. The deficit will be addressed by the legislature and governor in the current 2002 legislative session.

### **Alternative Forecast for the 2001-03 Biennium**

The February 2002 baseline forecast, like the November 2001 forecast, assumes a recession. The recession is expected to be mild and short with a recovery starting sometime this year. Despite its short duration, the U.S. recession when combined with large cutbacks in aerospace employment, is expected to produce the weakest economy in Washington state since the recession of the early

Table 3.14

**February 2002 Baseline Forecast by Agency****Comparison of Cash and GAAP Basis**

(Millions of dollars)

Agency	1999-01 Biennium			2001-03 Biennium			2003-05 Biennium		
	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.
<b>General Fund - State Cash/Revenue Sources</b>									
Department of Revenue <sup>3</sup>	\$20,342.3	\$20,355.3	\$12.9	\$20,419.0	\$20,488.0	\$69.0	\$22,170.3	\$22,251.5	\$81.2
Department of Licensing	42.6	42.4	(0.2)	41.0	41.7	0.7	42.6	42.7	0.1
Insurance Commissioner <sup>4</sup>	360.4	360.5	0.1	372.6	372.6	0.0	405.4	405.4	0.0
State Treasurer	148.3	148.1	(0.2)	21.9	15.9	(6.0)	45.2	47.8	2.6
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	175.0	175.1	0.0	159.2	160.2	1.0	167.0	167.0	0.0
<b>Subtotal: General Fund-State Cash/Revenue*</b>	<b>21,068.6</b>	<b>21,081.4</b>	<b>12.8</b>	<b>21,013.6</b>	<b>21,078.3</b>	<b>64.7</b>	<b>22,830.5</b>	<b>22,914.4</b>	<b>83.9</b>
<b>General Fund State - Other Financing Sources<sup>5</sup></b>									
Department of Revenue <sup>6</sup>	81.6	84.2	2.6	58.6	58.6	0.0	55.0	55.0	0.0
Lottery Commission	203.3	212.6	9.3	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Commissioner <sup>7</sup>	(6.2)	(6.2)	0.0	(6.8)	(6.8)	0.0	(7.5)	(7.5)	0.0
Liquor Control Board	57.9	57.9	0.0	58.9	58.9	0.0	59.2	59.2	0.0
Office of Financial Management									
Other Agencies <sup>8</sup>	(143.1)	(142.0)	1.1	(162.4)	(163.5)	(1.1)	(147.2)	(147.2)	0.0
<b>Subtotal: GFS Other Financing Sources</b>	<b>193.5</b>	<b>206.5</b>	<b>13.0</b>	<b>(51.8)</b>	<b>(52.8)</b>	<b>(1.1)</b>	<b>(40.6)</b>	<b>(40.6)</b>	<b>0.0</b>
<b>Total Available Receipts/Resources</b>									
<b>General Fund-State *</b>	<b>\$21,262.1</b>	<b>\$21,287.8</b>	<b>\$25.8</b>	<b>\$20,961.9</b>	<b>\$21,025.5</b>	<b>\$63.6</b>	<b>\$22,790.0</b>	<b>\$22,873.9</b>	<b>\$83.9</b>

\* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.

3 Excludes the state share of the timber tax and unclaimed property transfers.

4 Total insurance premiums tax.

5 Other financing sources represent transfers to/from other funds from/to the General Fund.

6 Includes the state share of the timber excise tax and unclaimed property transfers.

7 Forty percent of fire insurance premiums.

8 Agency 701 and accounting sources: 480 and 481 for all other agencies.

Table 3.15

**1999-01 and 2001-03 Balance Sheet**

General Fund-State

Dollars in Millions

	1999-01	2001-03
<b>RESOURCES</b>		
<b>Beginning Fund Balance</b>	<b>\$462.0</b>	<b>\$599.7</b>
November 2001 Revenue Forecast	21,261.9	21,208.7
February Forecast Update	0.1	(265.7)
Estate Tax, New Legal Interpretation *	0.0	18.9
<b>Current Revenue Totals</b>	<b>\$21,262.1</b>	<b>\$20,961.9</b>
Changes in Reserves and Other adjustments	(1.0)	
<b>Total Resources (Revenue/Fund Balance)</b>	<b>\$21,723.1</b>	<b>\$21,561.5</b>
<b>SPENDING LIMIT AND APPROPRIATIONS</b>		
<b>Biennial Appropriation</b>	<b>20,851.2</b>	<b>22,783.2</b>
2001 Supplemental	194.5	
<b>Spending Level</b>	<b>21,045.8</b>	<b>22,783.2</b>
<b>I-601 Expenditure Limit</b>	<b>21,063.4</b>	<b>22,916.3</b>
<b>UNRESTRICTED GENERAL FUND RESERVES</b>		
Unrestricted Balance	677.3	(1,221.7)
Money Transfers into General Fund	121.0	228.0
Transfer to Emergency Reserve Fund	(198.6)	0.0
	<b>599.7</b>	<b>(993.7)</b>
<b>EMERGENCY RESERVE FUND</b>		
Beginning Balance	535.7	462.1
New Deposit (Revenue > Limit)	198.6	0.0
Emergency Reserve Transfers to Transportation	(35.0)	(70.0)
Interest Earnings	61.8	17.3
Deposit to Education Construction	(240.8)	0.0
Earthquake/Drought	(58.3)	(25.0)
<b>Emergency Reserve</b>	<b>462.1</b>	<b>384.4</b>

\* Based on Assistant Attorney General's legal analysis.

1980's. The economy could turn out to be better than assumed in the baseline or, despite the weak outlook, it could be worse.

The optimistic scenario assumes the baseline assumptions turn out to be overly pessimistic. Consumer spending bounces back quicker and a little stronger than assumed in the baseline forecast. Fiscal stimulus and monetary easing along with good news both at home and abroad on the war on terrorism add to consumer confidence and spending. Business investment also grows faster than expected due to stronger consumer demand, low interest rates, and tax incentives. In the optimistic scenario state personal income is 1.9 percent higher than the baseline by the end of fiscal year 2002 and is 3.9 percent higher by the end of the 2001-03 biennium. State wage and salary employment is 16,000 greater than the baseline by the end of fiscal 2002 and is 53,600 higher by the last quarter of the 2001-03 biennium.

The pessimistic scenario assumes a "double-dip" recession. In this scenario the economy grows the same or slower than the baseline until 2003 when it again contracts due to weak investment and consumer spending and weakness abroad. In this scenario, Washington State personal income is 1.5 percent below the baseline estimate at the end of fiscal year 2002 and 3.4 percent less than the baseline by the end of the 2001-03 biennium. Wage and salary employment is 9,900 lower than the baseline by the end of the fiscal 2002 and 49,400 less by the second quarter of 2003.

Table 3.16 shows the revenue implications of these alternative scenarios for the 2001-03 biennium. The optimistic scenario generates \$21,538.9 million GFS revenue in the 2001-03 biennium. This is \$577.0 million more than the baseline forecast. The pessimistic alternative produces only \$20,479.2 million GFS revenue in the 2001-03 biennium, \$482.7 million less than the baseline forecast.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic variables made by members of the Governor's Council of Economic Advisors (GCEA). The February GCEA scenario was based on the forecasts of five members of the Governor's Council of Economic Advisors. The GCEA alternative was \$22 million higher than the baseline for the 2001-03 biennium.

Table 3.16

**February 2002 Alternative Forecasts Compared to the Baseline Forecast**  
**2001-03 Biennium**  
(Millions of dollars)

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$11,240.8	\$10,986.4	\$10,781.1
Business & Occupation	3,994.2	3,914.9	3,853.2
Use	781.4	727.8	719.5
Public Utility	503.8	499.5	497.6
Property (school levy)	2,685.4	2,581.9	2,491.3
Real Estate Excise	806.8	789.9	756.2
Other	979.9	977.2	940.0
Subtotal	20,992.3	20,477.6	20,038.9
<b><i>Department of Licensing</i></b>	42.3	41.0	39.8
<b><i>Insurance Commissioner<sup>1</sup></i></b>	374.9	365.7	356.6
<b><i>Lottery Commission</i></b>	0.0	0.0	0.0
<b><i>State Treasurer - Interest earnings</i></b>	59.6	21.9	2.4
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>	60.1	58.9	57.7
<b><i>Office of Financial Management</i></b>			
Other agencies	9.8	(3.2)	(16.2)
<b>Total General Fund - State*</b>	<b>\$21,538.9</b>	<b>\$20,961.9</b>	<b>\$20,479.2</b>
<b>Difference from February 2002 Baseline</b>	<b>\$577.0</b>		<b>(\$482.7)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

\* Detail may not add to total due to rounding.

Table 3.17

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue**  
**Millions of Dollars**

**I. Disposition of the State portion of the Property Tax**

	State Levy: <u>Total Receipts</u>	Disposition of Receipts from the State Levy	
		To the <u>General Fund</u>	To the <u>Student Achievement Account-1</u>
2000	\$1,302.0	1,302.0	
2001	\$1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,402.9	1,269.8	133.1
2003	1,446.1	1,312.1	133.9
2001-03 Biennium	2,848.9	2,581.9	267.1
2004	1,485.6	1,351.4	134.2
2005	1,529.5	1,103.7	425.8
2003-05 Biennium	3,015.0	2,455.0	560.0

**II. Disposition of Lottery Distributions\***

	Lottery: <u>Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account-1</u>	<u>School Construction Account-1</u>
1998	117.8	114.6	3.2	0.0		
1999	118.6	107.5	3.3	7.8		
1999-01 Biennium	236.3	222.0	6.5	7.8		
2000	101.1	93.3	3.4	4.4		
2001	120.1	110.0	3.6	6.5		
1999-01 Biennium	221.3	203.3	7.0	10.9		
2002	105.9	0.0	3.7	6.7	47.7	47.7
2003	112.7	0.0	3.9	7.0	76.4	25.5
2001-03 Biennium	218.7	0.0	7.6	13.8	124.1	73.2
2004	113.3	0.0	4.0	7.3	76.5	25.5
2005	113.8	0.0	4.2	7.6	0.0	102.0
2003-05 Biennium	227.1	0.0	8.2	14.9	76.5	127.5

\* Cash Basis

\*\* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

1 Initiative 728 directs a portion of the state levy to the Student Achievement Account and lottery revenue to the Student Achievement Account and the School Construction Fund. Prior to Initiative 728 this revenue went into the General Fund.

## 2002 Annual Benchmark Revisions to Washington Index of Leading Indicators

The US Index of Leading Indicators, published by The Conference Board (<http://www.conference-board.org>), is designed to predict US economic activity six to nine months in advance. The index is comprised of ten components: (1) average weekly hours of manufacturing workers, (2) average weekly initial claims for state unemployment insurance, (3) manufacturers' new orders for consumer goods and materials, (4) vendor performance with respect to speed of deliveries (slower deliveries diffusion index), (5) manufacturers' new orders for nondefense capital goods, (6) building permits for new private housing units, (7) the prices of 500 common stocks, (8) the money supply measured as M2, (9) the interest rate spread between 10-year Treasury bonds and the federal funds rate, and (10) The Conference Board's Index of Consumer Expectations. These components are statistically weighted and combined into a single index number (details of how the index is computed can be found on The Conference Board's web site).

The Office of the Forecast Council publishes an index of leading indicators for Washington that is constructed in the same way as the national index. The Washington index consists of seven components: (1) the Federal Reserve Bank of Atlanta's overall dollar index (a monthly trade-weighted index which tracks the performance of the US dollar against other currencies), (2) average weekly hours of Washington manufacturing workers, (3) new private housing units authorized in Washington, (4) the Seattle Times help-wanted index, (5) monthly initial claims for Washington's state unemployment insurance, (6) aerospace employment, and (7) the US Index of Leading Indicators. Details of how the Washington index is computed can be found in the Forecast Council's February 2000 publication.

Component data for both the US and Washington indexes are subject to revision. To prevent the revision of the entire history of the indexes when such revisions occur, monthly index updates normally only include revisions to the last six months of data. Revisions not captured in the monthly updates are then included in the index via annual benchmark revisions. In addition to measurement revisions, the benchmark revision includes revisions to the factors used for seasonal adjustment and to the standardization factors that are used to adjust the components in order to equalize their volatility. Updated standardization factors for the US index can be found on The Conference Board's web site.



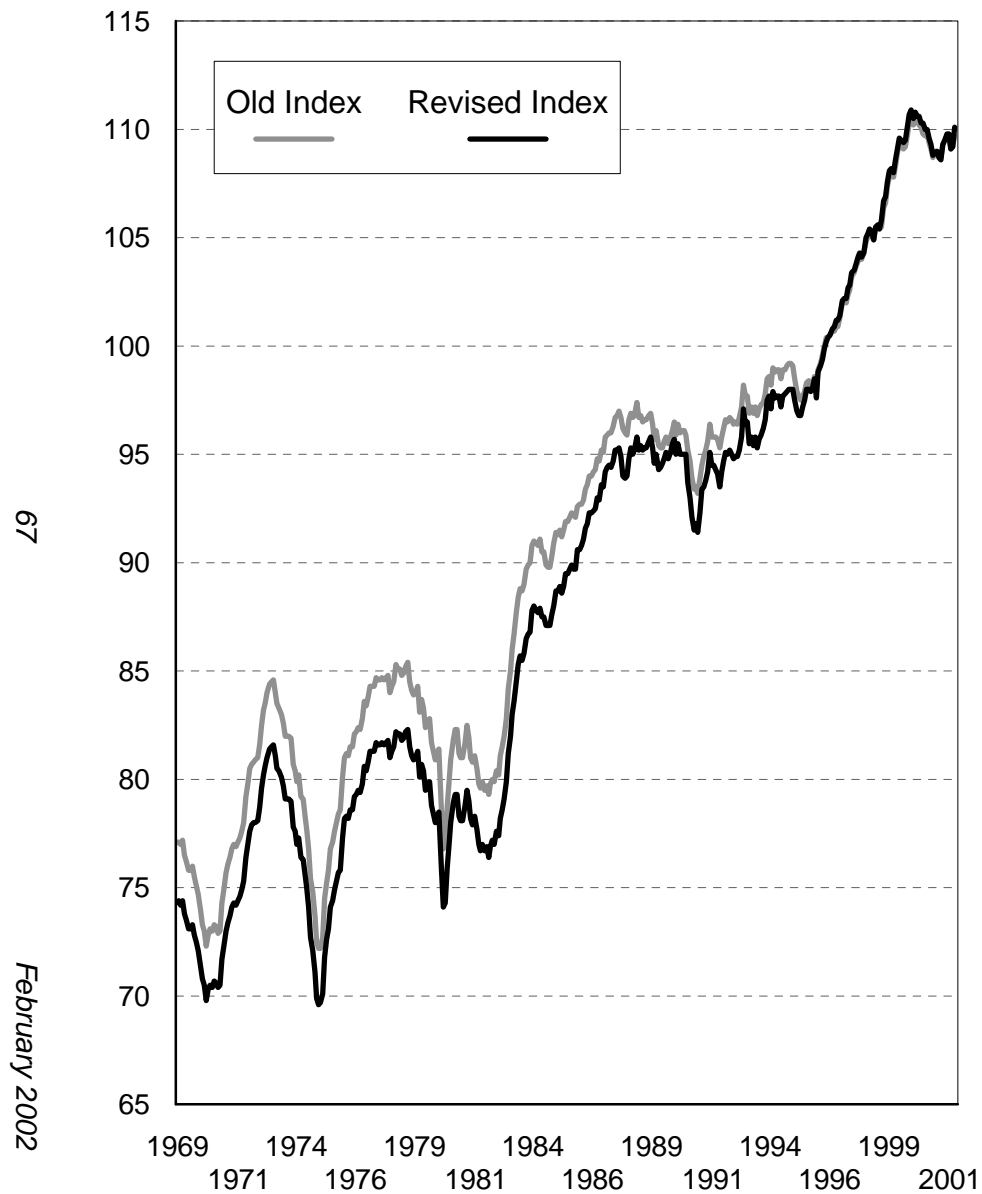
The 2002 benchmark revision of the US Index of Leading Indicators was effective as of the release of the December 2001 index in January. Most of the change in the revised index was due to the comprehensive revision of the money supply series by the Federal Reserve completed in December 2001. As illustrated in Chart 4.1, this revision resulted mainly in a change in the level of the index, with the revisions to this and other components resulting in only small changes in the month-to-month percent changes. In addition to the change in the money supply component, those components that deal with industry (new orders, vendor performance, hours in manufacturing) underwent revision in August 2001 when the US Department of Commerce Census Bureau and the Bureau of Economic Analysis switched their industrial classification systems from the Standard Industrial Classification (SIC) to the new North American Industry Classification System (NAICS). This revision only affected data back to 1997, as data prior to 1997 are still calculated based on the SIC. As the new data are close substitutes for the old, changes in the August benchmark revision were slight. Because of this, the August revision of the US index was not incorporated into the Washington index at that time.

As the US Index of Leading Indicators is a component of the Washington index, the Washington index experienced a change in level similar to that of the US index (the similarity is also due to the fact that the trend and volatility of Washington index are adjusted to match that of the US index to facilitate comparison). As can be seen in Chart 4.2, while the level of the index has changed, the monthly changes are similar in magnitude and direction to those of the old index. As in the US index, the changes in level are more pronounced in the early years of the index. This is because both indexes have a base year of 1996, in which the average value of the index is set to 100. The average values of the indexes in 1996 were therefore not changed by the revisions, and the changes in the revised index levels grow more pronounced the further the dates are from 1996.

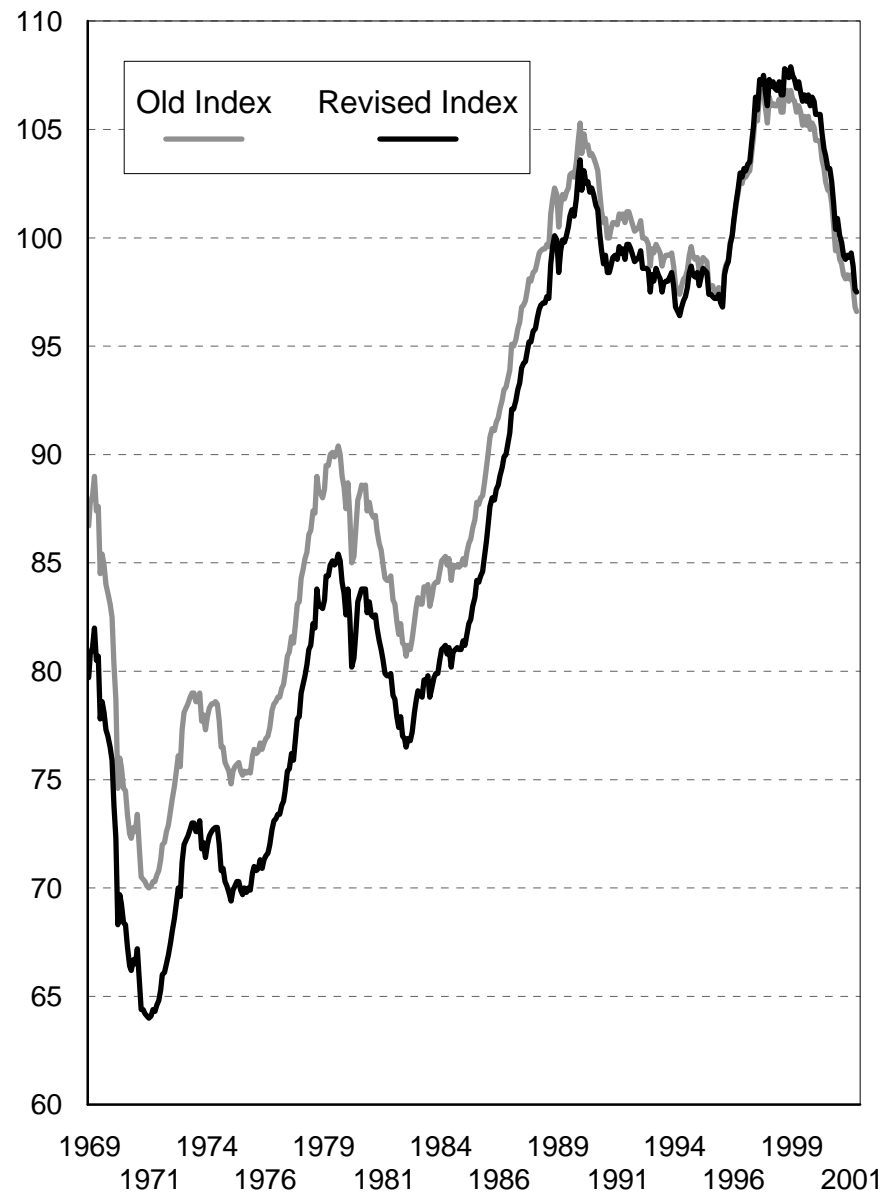
Other than the comprehensively revised US index, most of the other components of the Washington index only underwent seasonal and standardization factor adjustment. The exceptions were the aerospace and weekly hours in manufacturing components, which underwent benchmark revision back to January 2000 in addition to seasonal and standardization factor revision.

Values of the revised Washington Index of Leading Indicators for the last two years are listed in Chapter 2, Table 2.1. The rest of the series is available upon request from the Office of the Forecast Council at the contact address listed at the back of this publication.

**Chart 4.1**  
**US Index of Leading Indicators: Revised vs. Old**  
 January 1969 through November 2002



**Chart 4.2**  
**WA Index of Leading Indicators: Revised vs. Old**  
 January 1969 through November 2001



# **Detail Components of the Washington Economic Forecast**

**Calendar Years**

Table A1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	8,508.9	8,856.5	9,224.0	9,325.5	9,416.8	9,794.5	10,172.5	10,480.1
% Ch	4.3	4.1	4.1	1.1	1.0	4.0	3.9	3.0
Real Consumption	5683.7	5968.4	6257.8	6447.3	6570.2	6804.9	7027.1	7224.2
% Ch	4.8	5.0	4.8	3.0	1.9	3.6	3.3	2.8
Real Nonresidential Fixed Investment	1,135.9	1,228.6	1,350.7	1,308.8	1,248.6	1,331.7	1,445.2	1,532.7
% Ch	12.5	8.2	9.9	-3.1	-4.6	6.7	8.5	6.1
Real Residential Fixed Investment	345.1	368.3	371.4	376.5	374.7	379.6	384.6	391.2
% Ch	8.0	6.7	0.8	1.4	-0.5	1.3	1.3	1.7
Real Personal Income	7,207.7	7,426.9	7,737.3	7,966.2	8,089.8	8,340.5	8,619.0	8,835.1
% Ch	5.9	3.0	4.2	3.0	1.6	3.1	3.3	2.5
Real Per Capita Income (\$/Person)	26,614	27,180	28,065	28,637	28,822	29,453	30,174	30,668
% Ch	5.0	2.1	3.3	2.0	0.6	2.2	2.4	1.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.075	1.095	1.106	1.130	1.156	1.181
% Ch	1.1	1.6	2.7	1.9	1.0	2.2	2.3	2.2
U.S. Consumer Price Index (1982-84=1.0)	1.631	1.667	1.723	1.772	1.797	1.841	1.887	1.933
% Ch	1.5	2.2	3.4	2.8	1.4	2.4	2.5	2.5
Employment Cost Index (June 1989=1.0)	1.356	1.403	1.460	1.515	1.556	1.603	1.656	1.706
% Ch	4.0	3.4	4.1	3.8	2.8	3.0	3.3	3.0
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	8,781.5	9,268.6	9,872.9	10,197.7	10,431.3	11,058.7	11,728.4	12,339.3
% Ch	5.6	5.5	6.5	3.3	2.3	6.0	6.1	5.2
Personal Income	7,426.0	7,777.3	8,319.2	8,724.7	8,946.1	9,424.3	9,959.8	10,438.6
% Ch	7.0	4.7	7.0	4.9	2.5	5.3	5.7	4.8
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	137.7	139.4	140.9	141.8	143.2	145.0	147.1	149.1
Total U.S. Employment	131.5	133.5	135.2	135.0	134.6	136.7	139.6	141.6
Unemployment Rate (%)	4.51	4.22	4.02	4.79	6.05	5.76	5.10	5.01
Wage and Salary Employment	125.84	128.90	131.76	132.23	131.67	133.73	136.57	138.68
% Ch	2.6	2.4	2.2	0.4	-0.4	1.6	2.1	1.6
Manufacturing	18.81	18.55	18.47	17.70	16.85	17.04	17.44	17.64
% Ch	0.7	-1.3	-0.5	-4.2	-4.8	1.1	2.4	1.2
Durable Manufacturing	11.21	11.11	11.14	10.64	9.96	9.93	10.07	10.19
% Ch	1.8	-0.8	0.2	-4.5	-6.4	-0.3	1.4	1.1
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.90	7.10	7.37	7.46
% Ch	-0.8	-2.1	-1.5	-3.7	-2.3	3.0	3.8	1.2
Nonmanufacturing	107.04	110.35	113.29	114.53	114.82	116.69	119.12	121.04
% Ch	2.9	3.1	2.7	1.1	0.3	1.6	2.1	1.6
Services	37.53	39.05	40.46	41.03	41.48	42.75	43.91	44.87
% Ch	4.1	4.1	3.6	1.4	1.1	3.1	2.7	2.2
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	20.3	20.8	21.4	21.9	21.8	21.8	22.2	22.4
Auto Sales (Millions)	8.1	8.7	8.9	8.4	7.5	8.1	7.9	7.8
% Ch	-1.6	6.8	1.8	-4.8	-11.0	7.4	-2.4	-1.2
Housing Starts (Millions)	1.621	1.647	1.575	1.606	1.572	1.562	1.618	1.642
% Ch	9.9	1.6	-4.4	2.0	-2.1	-0.6	3.6	1.5
Federal Budget Surplus (Billions)	43.8	119.2	218.6	121.5	2.2	-24.3	-23.0	-25.4
Net Exports (Billions)	-151.7	-250.8	-364.0	-334.8	-399.5	-438.0	-444.0	-448.4
3-Month Treasury Bill Rate (%)	4.78	4.64	5.82	3.39	2.01	3.68	4.62	4.62
30-Year U.S. Govt. Bond Rate (%)	5.58	5.87	5.94	5.49	5.68	6.06	6.17	6.12
Bond Index of 20 G.O. Munis. (%)	5.09	5.43	5.70	5.15	5.32	5.27	5.31	5.45
Mortgage Rate (%)	6.95	7.43	8.06	6.97	7.05	7.43	7.54	7.38

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	9,102.5	9,229.4	9,260.1	9,303.9	9,334.5	9,341.7	9,310.4	9,315.6
% Ch	2.3	5.7	1.3	1.9	1.3	0.3	-1.3	0.2
Real Consumption	6,171.7	6,226.3	6,292.1	6,341.1	6,388.5	6,428.4	6,443.9	6,528.4
% Ch	5.9	3.6	4.3	3.1	3.0	2.5	1.0	5.4
Real Nonresidential Fixed Investment	1,309.4	1,347.7	1,371.1	1,374.5	1,373.9	1,320.9	1,292.0	1,248.4
% Ch	15.8	12.2	7.1	1.0	-0.2	-14.6	-8.5	-12.8
Real Residential Fixed Investment	377.3	376.5	366.3	365.3	372.9	378.3	380.5	374.2
% Ch	8.5	-0.8	-10.4	-1.1	8.5	5.9	2.4	-6.5
Real Personal Income	7,599.1	7,715.5	7,772.2	7,862.3	7,910.8	7,952.0	8,009.3	7,992.7
% Ch	4.4	6.3	3.0	4.7	2.5	2.1	2.9	-0.8
Real Per Capita Income (\$/Person)	27,657	28,019	28,161	28,423	28,534	28,618	28,759	28,635
% Ch	3.5	5.3	2.0	3.8	1.6	1.2	2.0	-1.7
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.066	1.072	1.078	1.084	1.092	1.096	1.095	1.098
% Ch	4.0	2.1	2.4	1.9	3.2	1.3	-0.2	0.8
U.S. Consumer Price Index (1982-84=1.0)	1.703	1.715	1.730	1.743	1.761	1.774	1.777	1.775
% Ch	4.2	3.0	3.5	2.9	4.2	3.1	0.7	-0.4
Employment Cost Index (June 1989=1.0)	1.439	1.454	1.467	1.479	1.495	1.509	1.520	1.534
% Ch	4.6	4.2	3.6	3.3	4.4	3.8	2.9	3.7
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	9,668.7	9,857.6	9,937.5	10,027.9	10,141.7	10,202.6	10,224.9	10,221.6
% Ch	6.3	8.0	3.3	3.7	4.6	2.4	0.9	-0.1
Personal Income	8,104.4	8,271.0	8,381.5	8,519.6	8,640.2	8,714.6	8,771.8	8,772.0
% Ch	8.6	8.5	5.5	6.8	5.8	3.5	2.7	0.0
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	140.7	140.9	140.7	141.3	141.7	141.5	141.7	142.3
Total U.S. Employment	135.0	135.2	135.0	135.6	135.8	135.2	134.8	134.3
Unemployment Rate (%)	4.03	4.00	4.07	3.97	4.23	4.50	4.83	5.60
Wage and Salary Employment	130.98	131.85	131.93	132.26	132.56	132.48	132.36	131.50
% Ch	2.7	2.7	0.2	1.0	0.9	-0.2	-0.4	-2.6
Manufacturing	18.50	18.51	18.49	18.38	18.19	17.88	17.56	17.17
% Ch	0.2	0.1	-0.5	-2.3	-4.1	-6.6	-7.1	-8.4
Durable Manufacturing	11.12	11.15	11.17	11.12	10.99	10.78	10.54	10.25
% Ch	1.0	1.0	0.8	-1.9	-4.5	-7.4	-8.8	-10.3
Nondurable Manufacturing	7.38	7.36	7.32	7.26	7.20	7.10	7.02	6.92
% Ch	-1.1	-1.1	-2.5	-3.0	-3.5	-5.3	-4.5	-5.5
Nonmanufacturing	112.48	113.34	113.44	113.89	114.37	114.60	114.80	114.33
% Ch	3.1	3.1	0.3	1.6	1.7	0.8	0.7	-1.6
Services	40.03	40.36	40.61	40.84	41.03	41.05	41.10	40.94
% Ch	3.8	3.3	2.6	2.2	1.9	0.3	0.5	-1.6
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	21.1	21.2	21.4	21.7	21.9	22.0	21.4	22.2
Auto Sales (Millions)	9.4	8.9	8.8	8.3	8.6	8.4	7.9	8.7
% Ch	21.0	-17.5	-5.2	-18.8	14.3	-9.8	-21.9	49.4
Housing Starts (Millions)	1.668	1.586	1.505	1.539	1.627	1.623	1.601	1.571
% Ch	3.3	-18.3	-18.9	9.3	24.8	-0.9	-5.3	-7.4
Federal Budget Surplus (Billions)	212.8	209.1	229.9	222.5	205.3	186.7	-13.6	107.6
Net Exports (Billions)	-333.9	-350.8	-380.6	-390.6	-363.8	-347.4	-294.4	-333.7
3-Month Treasury Bill Rate (%)	5.52	5.71	6.02	6.02	4.82	3.66	3.17	1.91
30-Year U.S. Govt. Bond Rate (%)	6.30	5.98	5.80	5.69	5.44	5.70	5.52	5.31
Bond Index of 20 G.O. Munis. (%)	5.96	5.85	5.56	5.45	5.14	5.26	5.10	5.11
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.97	6.78

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	9,320.7	9,375.7	9,429.6	9,540.9	9,649.8	9,747.5	9,840.3	9,940.3
% Ch	0.2	2.4	2.3	4.8	4.6	4.1	3.9	4.1
Real Consumption	6,500.2	6,544.0	6,588.2	6,648.3	6,720.1	6,780.3	6,832.7	6,886.6
% Ch	-1.7	2.7	2.7	3.7	4.4	3.6	3.1	3.2
Real Nonresidential Fixed Investment	1,244.8	1,236.1	1,249.3	1,264.1	1,291.7	1,319.1	1,344.1	1,372.1
% Ch	-1.1	-2.8	4.3	4.8	9.0	8.7	7.8	8.6
Real Residential Fixed Investment	373.0	372.6	374.8	378.4	379.1	379.8	379.4	380.1
% Ch	-1.2	-0.5	2.4	3.9	0.7	0.7	-0.4	0.7
Real Personal Income	8,024.6	8,060.2	8,114.9	8,159.6	8,236.5	8,304.5	8,376.9	8,444.3
% Ch	1.6	1.8	2.7	2.2	3.8	3.3	3.5	3.3
Real Per Capita Income (\$/Person)	28,685	28,748	28,879	28,974	29,182	29,358	29,550	29,723
% Ch	0.7	0.9	1.8	1.3	2.9	2.4	2.6	2.4
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.098	1.104	1.107	1.114	1.121	1.126	1.133	1.139
% Ch	0.2	2.0	1.4	2.5	2.3	2.1	2.4	2.2
U.S. Consumer Price Index (1982-84=1.0)	1.781	1.793	1.802	1.814	1.825	1.835	1.847	1.858
% Ch	1.4	2.6	2.0	2.7	2.5	2.3	2.6	2.4
Employment Cost Index (June 1989=1.0)	1.543	1.551	1.561	1.570	1.583	1.596	1.611	1.624
% Ch	2.4	2.1	2.5	2.4	3.4	3.2	3.7	3.3
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	10,266.2	10,374.4	10,457.0	10,627.8	10,813.8	10,974.8	11,139.5	11,306.7
% Ch	1.8	4.3	3.2	6.7	7.2	6.1	6.1	6.1
Personal Income	8,811.6	8,895.1	8,986.3	9,091.3	9,230.1	9,354.6	9,492.1	9,620.5
% Ch	1.8	3.8	4.2	4.8	6.3	5.5	6.0	5.5
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	142.5	143.0	143.5	144.0	144.4	144.8	145.3	145.8
Total U.S. Employment	134.3	134.3	134.6	135.1	135.7	136.3	137.0	137.8
Unemployment Rate (%)	5.80	6.05	6.18	6.15	6.02	5.87	5.67	5.47
Wage and Salary Employment	131.27	131.46	131.73	132.22	132.75	133.36	134.05	134.76
% Ch	-0.7	0.6	0.8	1.5	1.6	1.9	2.1	2.1
Manufacturing	16.97	16.91	16.78	16.75	16.82	16.98	17.11	17.24
% Ch	-4.6	-1.4	-3.2	-0.5	1.6	3.7	3.2	3.1
Durable Manufacturing	10.07	10.01	9.89	9.86	9.86	9.91	9.95	10.00
% Ch	-6.8	-2.6	-4.5	-1.5	0.3	1.9	1.8	2.0
Nondurable Manufacturing	6.90	6.91	6.88	6.90	6.96	7.07	7.16	7.24
% Ch	-1.1	0.3	-1.3	0.9	3.5	6.4	5.3	4.6
Nonmanufacturing	114.30	114.54	114.95	115.47	115.93	116.39	116.94	117.52
% Ch	-0.1	0.9	1.4	1.8	1.6	1.6	1.9	2.0
Services	41.04	41.27	41.62	41.98	42.29	42.57	42.92	43.20
% Ch	0.9	2.3	3.4	3.4	3.0	2.7	3.3	2.6
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	22.0	21.9	21.7	21.7	21.7	21.8	21.8	21.9
Auto Sales (Millions)	7.4	7.4	7.5	7.8	8.0	8.1	8.0	8.1
% Ch	-49.1	-1.0	5.3	18.3	11.2	7.7	-6.7	4.6
Housing Starts (Millions)	1.547	1.576	1.588	1.575	1.556	1.559	1.561	1.571
% Ch	-5.9	7.7	3.0	-3.3	-4.7	0.7	0.5	2.7
Federal Budget Surplus (Billions)	25.0	15.2	-11.4	-20.1	-29.2	-30.8	-20.5	-16.6
Net Exports (Billions)	-357.5	-388.0	-421.3	-431.2	-433.4	-443.9	-442.1	-432.5
3-Month Treasury Bill Rate (%)	1.75	1.75	2.16	2.39	2.85	3.42	4.10	4.36
30-Year U.S. Govt. Bond Rate (%)	5.46	5.56	5.77	5.90	5.94	6.03	6.11	6.16
Bond Index of 20 G.O. Munis. (%)	5.29	5.32	5.44	5.23	5.24	5.23	5.30	5.32
Mortgage Rate (%)	7.04	6.87	7.09	7.21	7.28	7.37	7.51	7.54

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real National Income Accounts (Billions of Chained 1996 Dollars)</b>								
Real Gross Domestic Product	10,055.5	10,141.2	10,209.7	10,283.5	10,372.5	10,442.5	10,513.1	10,592.3
% Ch	4.7	3.5	2.7	2.9	3.5	2.7	2.7	3.0
Real Consumption	6,951.2	7,009.7	7,052.9	7,094.6	7,152.8	7,202.5	7,248.3	7,293.1
% Ch	3.8	3.4	2.5	2.4	3.3	2.8	2.6	2.5
Real Nonresidential Fixed Investment	1,404.4	1,433.1	1,459.8	1,483.4	1,503.4	1,524.8	1,542.6	1,559.9
% Ch	9.8	8.5	7.7	6.6	5.5	5.8	4.7	4.6
Real Residential Fixed Investment	381.9	383.7	385.3	387.6	389.7	391.1	391.6	392.3
% Ch	1.9	1.8	1.7	2.4	2.2	1.4	0.5	0.7
Real Personal Income	8,533.6	8,597.0	8,649.4	8,695.9	8,764.6	8,812.8	8,857.7	8,905.1
% Ch	4.3	3.0	2.5	2.2	3.2	2.2	2.1	2.2
Real Per Capita Income (\$/Person)	29,972	30,130	30,248	30,346	30,521	30,623	30,714	30,813
% Ch	3.4	2.1	1.6	1.3	2.3	1.4	1.2	1.3
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.145	1.152	1.159	1.166	1.172	1.178	1.185	1.191
% Ch	2.2	2.3	2.5	2.3	2.1	2.2	2.3	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.868	1.880	1.893	1.904	1.916	1.927	1.939	1.950
% Ch	2.4	2.5	2.7	2.5	2.4	2.5	2.5	2.3
Employment Cost Index (June 1989=1.0)	1.637	1.650	1.663	1.676	1.688	1.700	1.712	1.724
% Ch	3.3	3.3	3.1	3.1	3.0	2.9	2.8	2.9
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	11,499.5	11,658.4	11,804.0	11,951.6	12,120.4	12,264.3	12,410.4	12,562.3
% Ch	7.0	5.6	5.1	5.1	5.8	4.8	4.9	5.0
Personal Income	9,774.8	9,903.9	10,024.8	10,135.8	10,270.2	10,383.6	10,494.8	10,605.6
% Ch	6.6	5.4	5.0	4.5	5.4	4.5	4.4	4.3
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	146.3	146.8	147.3	147.9	148.4	148.9	149.4	149.9
Total U.S. Employment	138.6	139.3	139.9	140.5	141.0	141.4	141.9	142.3
Unemployment Rate (%)	5.26	5.10	5.06	4.99	5.00	5.00	5.03	5.03
Wage and Salary Employment	135.59	136.32	136.91	137.45	137.99	138.47	138.93	139.34
% Ch	2.5	2.2	1.7	1.6	1.6	1.4	1.3	1.2
Manufacturing	17.34	17.41	17.49	17.54	17.57	17.63	17.67	17.70
% Ch	2.4	1.4	1.9	1.1	0.9	1.3	0.9	0.6
Durable Manufacturing	10.04	10.05	10.08	10.11	10.14	10.17	10.21	10.23
% Ch	1.4	0.6	1.4	1.2	0.9	1.5	1.3	0.9
Nondurable Manufacturing	7.31	7.36	7.40	7.42	7.44	7.46	7.47	7.47
% Ch	3.9	2.6	2.6	1.1	0.9	1.1	0.5	0.1
Nonmanufacturing	118.24	118.91	119.42	119.92	120.42	120.84	121.26	121.64
% Ch	2.5	2.3	1.7	1.7	1.7	1.4	1.4	1.3
Services	43.53	43.82	44.04	44.25	44.50	44.74	45.00	45.26
% Ch	3.1	2.6	2.0	1.9	2.3	2.2	2.3	2.3
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	22.0	22.1	22.2	22.3	22.3	22.4	22.4	22.5
Auto Sales (Millions)	8.1	8.0	7.9	7.5	7.6	7.8	7.9	7.8
% Ch	-1.6	-2.8	-5.1	-19.0	7.2	8.4	4.7	-3.8
Housing Starts (Millions)	1.589	1.613	1.631	1.639	1.643	1.648	1.640	1.638
% Ch	4.4	6.4	4.4	2.0	1.1	1.2	-2.0	-0.6
Federal Budget Surplus (Billions)	-28.5	-22.4	-16.7	-24.5	-32.3	-29.6	-22.5	-17.3
Net Exports (Billions)	-431.4	-444.5	-452.2	-448.0	-443.3	-453.3	-453.8	-443.0
3-Month Treasury Bill Rate (%)	4.61	4.63	4.62	4.63	4.62	4.62	4.61	4.62
30-Year U.S. Govt. Bond Rate (%)	6.24	6.19	6.15	6.08	6.08	6.11	6.13	6.14
Bond Index of 20 G.O. Munis. (%)	5.37	5.31	5.30	5.24	5.37	5.43	5.47	5.51
Mortgage Rate (%)	7.62	7.58	7.52	7.43	7.38	7.38	7.38	7.38

Table A1.3  
**Washington Economic Forecast Summary**  
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	158.485	166.461	171.399	172.487	173.123	177.931	183.964	189.635
% Ch	7.6	5.0	3.0	0.6	0.4	2.8	3.4	3.1
Real Wage and Salary Disb.	91.544	99.143	102.003	101.383	100.806	103.312	106.885	110.308
% Ch	9.3	8.3	2.9	-0.6	-0.6	2.5	3.5	3.2
Real Nonwage Income	66.941	67.318	69.396	71.104	72.318	74.620	77.079	79.328
% Ch	5.3	0.6	3.1	2.5	1.7	3.2	3.3	2.9
Real Per Capita Income (\$/Person)	27,417	28,431	28,931	28,747	28,540	29,039	29,689	30,203
% Ch	6.0	3.7	1.8	-0.6	-0.7	1.8	2.2	1.7
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.075	1.095	1.106	1.130	1.156	1.181
% Ch	1.1	1.6	2.7	1.9	1.0	2.2	2.3	2.2
Seattle Cons. Price Index (1982-84=1.0)	1.678	1.728	1.792	1.857	1.896	1.935	1.976	2.022
% Ch	2.9	3.0	3.7	3.6	2.1	2.1	2.1	2.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.75	16.14	16.76	17.65	18.07	18.29	18.53	18.78
% Ch	4.0	2.5	3.9	5.3	2.4	1.2	1.3	1.3
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	162.720	174.201	183.853	188.450	190.906	200.416	211.913	223.376
% Ch	8.7	7.1	5.5	2.5	1.3	5.0	5.7	5.4
Personal Income	163.291	174.324	184.280	188.909	191.446	201.053	212.584	224.056
% Ch	8.7	6.8	5.7	2.5	1.3	5.0	5.7	5.4
Disposable Personal Income	139.753	148.338	155.747	160.619	163.787	172.646	182.856	193.070
% Ch	8.1	6.1	5.0	3.1	2.0	5.4	5.9	5.6
Per Capita Income (\$/Person)	28,248	29,774	31,105	31,484	31,560	32,812	34,307	35,685
% Ch	7.1	5.4	4.5	1.2	0.2	4.0	4.6	4.0
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,037.2	3,074.6	3,045.8	3,056.0	3,024.1	3,061.9	3,115.7	3,173.3
Total Washington Employment	2,892.5	2,929.2	2,887.9	2,871.3	2,794.9	2,833.5	2,898.8	2,965.5
Unemployment Rate (%)	4.76	4.73	5.18	6.05	7.58	7.46	6.96	6.55
Wage and Salary Employment	2,594.7	2,648.7	2,709.2	2,702.5	2,666.7	2,702.9	2,764.3	2,827.0
% Ch	3.2	2.1	2.3	-0.2	-1.3	1.4	2.3	2.3
Manufacturing	379.6	364.1	350.8	334.1	309.0	306.3	314.6	324.2
% Ch	2.6	-4.1	-3.7	-4.8	-7.5	-0.9	2.7	3.0
Durable Manufacturing	271.0	255.8	243.1	231.6	209.5	204.5	209.8	217.4
% Ch	3.7	-5.6	-5.0	-4.7	-9.5	-2.4	2.6	3.6
Aerospace	112.4	98.9	86.2	87.0	73.7	65.6	66.4	70.5
% Ch	7.1	-12.0	-12.8	0.9	-15.3	-11.1	1.3	6.2
Nondurable Manufacturing	108.6	108.3	107.7	102.6	99.5	101.8	104.8	106.8
% Ch	-0.2	-0.2	-0.6	-4.8	-3.0	2.2	3.0	1.9
Nonmanufacturing	2,215.1	2,284.6	2,358.4	2,368.4	2,357.6	2,396.6	2,449.7	2,502.8
% Ch	3.3	3.1	3.2	0.4	-0.5	1.7	2.2	2.2
Construction	143.7	153.8	161.0	157.3	148.9	150.6	154.3	159.7
% Ch	5.4	7.1	4.7	-2.3	-5.3	1.1	2.5	3.5
Services	709.3	739.7	777.6	779.7	787.3	814.7	840.8	865.3
% Ch	4.5	4.3	5.1	0.3	1.0	3.5	3.2	2.9
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	45.727	42.752	39.021	39.848	37.605	36.357	38.792	41.352
% Ch	11.3	-6.5	-8.7	2.1	-5.6	-3.3	6.7	6.6
Single-Family	28.644	28.111	25.471	28.039	24.860	23.925	25.305	26.908
% Ch	3.1	-1.9	-9.4	10.1	-11.3	-3.8	5.8	6.3
Multi-Family	17.083	14.641	13.550	11.809	12.745	12.433	13.487	14.444
% Ch	28.3	-14.3	-7.5	-12.9	7.9	-2.4	8.5	7.1
Mortgage Rate (%)	6.95	7.43	8.06	6.97	7.05	7.43	7.54	7.38



Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	171.250	171.235	170.269	172.843	171.125	174.773	172.582	171.467
% Ch	0.9	-0.0	-2.2	6.2	-3.9	8.8	-4.9	-2.6
Real Wage and Salary Disb.	102.994	102.004	100.431	102.583	100.500	104.014	101.104	99.912
% Ch	-0.9	-3.8	-6.0	8.9	-7.9	14.7	-10.7	-4.6
Real Nonwage Income	68.254	69.231	69.838	70.258	70.625	70.759	71.477	71.555
% Ch	3.7	5.8	3.6	2.4	2.1	0.8	4.1	0.4
Real Per Capita Income (\$/Person)	29,054	28,953	28,691	29,026	28,641	29,169	28,722	28,456
% Ch	-0.2	-1.4	-3.6	4.8	-5.2	7.6	-6.0	-3.7
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.066	1.072	1.078	1.084	1.092	1.096	1.095	1.098
% Ch	4.0	2.1	2.4	1.9	3.2	1.3	-0.2	0.8
Seattle Cons. Price Index (1982-84=1.0)	1.763	1.782	1.802	1.820	1.838	1.850	1.867	1.872
% Ch	3.6	4.4	4.6	4.0	4.1	2.5	3.8	1.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.52	16.60	16.80	17.14	17.29	17.59	17.80	17.93
% Ch	5.8	1.8	4.8	8.5	3.5	7.0	5.0	2.9
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	182.213	183.225	183.085	186.887	186.447	191.048	188.526	187.779
% Ch	4.4	2.2	-0.3	8.6	-0.9	10.2	-5.2	-1.6
Personal Income	182.632	183.572	183.620	187.297	186.906	191.526	189.019	188.187
% Ch	4.9	2.1	0.1	8.3	-0.8	10.3	-5.1	-1.7
Disposable Personal Income	154.569	155.222	155.135	158.062	157.807	161.824	163.259	159.585
% Ch	3.9	1.7	-0.2	7.8	-0.6	10.6	3.6	-8.7
Per Capita Income (\$/Person)	30,985	31,039	30,941	31,454	31,282	31,964	31,457	31,231
% Ch	3.8	0.7	-1.3	6.8	-2.2	9.0	-6.2	-2.8
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,042.3	3,031.7	3,034.8	3,074.4	3,098.8	3,073.0	3,027.1	3,025.2
Total Washington Employment	2,885.8	2,873.0	2,874.5	2,918.4	2,931.1	2,894.9	2,844.2	2,814.9
Unemployment Rate (%)	5.14	5.23	5.28	5.07	5.41	5.80	6.04	6.95
Wage and Salary Employment	2,689.6	2,709.3	2,715.7	2,722.4	2,728.8	2,711.7	2,695.6	2,674.0
% Ch	2.6	3.0	1.0	1.0	0.9	-2.5	-2.4	-3.2
Manufacturing	350.8	353.9	350.7	347.8	343.3	337.1	332.4	323.9
% Ch	-8.3	3.6	-3.7	-3.2	-5.1	-7.0	-5.5	-9.9
Durable Manufacturing	242.3	245.5	243.0	241.7	238.4	234.0	230.3	223.7
% Ch	-11.2	5.4	-4.0	-2.1	-5.4	-7.2	-6.0	-11.0
Aerospace	84.0	87.8	86.9	86.3	86.6	87.5	88.3	85.8
% Ch	-30.9	19.1	-3.9	-2.8	1.6	3.9	3.8	-10.7
Nondurable Manufacturing	108.6	108.5	107.7	106.2	104.9	103.1	102.0	100.1
% Ch	-1.3	-0.3	-2.9	-5.5	-4.7	-6.6	-4.2	-7.3
Nonmanufacturing	2,338.8	2,355.3	2,365.1	2,374.6	2,385.6	2,374.6	2,363.2	2,350.1
% Ch	4.4	2.9	1.7	1.6	1.9	-1.8	-1.9	-2.2
Construction	161.2	160.8	159.7	162.3	162.7	158.3	155.4	152.7
% Ch	10.3	-1.1	-2.6	6.6	1.0	-10.3	-7.2	-6.8
Services	766.2	772.6	782.5	789.0	788.1	783.3	775.6	772.1
% Ch	6.9	3.4	5.2	3.4	-0.5	-2.4	-3.9	-1.8
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	39.313	36.767	38.430	41.573	43.390	40.955	39.568	35.480
% Ch	-15.0	-23.5	19.4	36.9	18.7	-20.6	-12.9	-35.4
Single-Family	25.648	24.843	25.479	25.914	30.586	27.806	27.805	25.961
% Ch	-20.7	-12.0	10.6	7.0	94.1	-31.7	-0.0	-24.0
Multi-Family	13.665	11.924	12.951	15.659	12.804	13.149	11.763	9.519
% Ch	-2.8	-42.0	39.1	113.7	-55.3	11.2	-36.0	-57.1
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.97	6.78

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	172.095	172.583	173.497	174.319	175.785	177.171	178.678	180.091
% Ch	1.5	1.1	2.1	1.9	3.4	3.2	3.4	3.2
Real Wage and Salary Disb.	100.411	100.549	100.941	101.322	102.058	102.889	103.710	104.590
% Ch	2.0	0.5	1.6	1.5	2.9	3.3	3.2	3.4
Real Nonwage Income	71.683	72.034	72.556	72.997	73.727	74.282	74.968	75.501
% Ch	0.7	2.0	2.9	2.5	4.1	3.0	3.7	2.9
Real Per Capita Income (\$/Person)	28,480	28,485	28,564	28,629	28,799	28,954	29,126	29,278
% Ch	0.3	0.1	1.1	0.9	2.4	2.2	2.4	2.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.098	1.104	1.107	1.114	1.121	1.126	1.133	1.139
% Ch	0.2	2.0	1.4	2.5	2.3	2.1	2.4	2.2
Seattle Cons. Price Index (1982-84=1.0)	1.881	1.893	1.900	1.911	1.921	1.930	1.940	1.950
% Ch	1.9	2.5	1.6	2.3	2.1	1.8	2.2	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.01	18.05	18.10	18.14	18.20	18.25	18.32	18.38
% Ch	1.8	1.0	0.9	0.9	1.3	1.3	1.5	1.3
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	188.483	189.932	191.563	193.645	196.369	198.945	201.805	204.546
% Ch	1.5	3.1	3.5	4.4	5.7	5.4	5.9	5.5
Personal Income	188.973	190.461	192.127	194.223	196.992	199.575	202.466	205.177
% Ch	1.7	3.2	3.5	4.4	5.8	5.3	5.9	5.5
Disposable Personal Income	161.106	162.828	164.601	166.612	169.086	171.441	173.918	176.141
% Ch	3.9	4.3	4.4	5.0	6.1	5.7	5.9	5.2
Per Capita Income (\$/Person)	31,273	31,436	31,632	31,898	32,274	32,615	33,004	33,356
% Ch	0.5	2.1	2.5	3.4	4.8	4.3	4.8	4.3
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,016.3	3,019.7	3,025.7	3,034.6	3,044.7	3,055.6	3,067.5	3,079.9
Total Washington Employment	2,793.0	2,790.6	2,793.6	2,802.4	2,813.6	2,825.9	2,839.9	2,854.5
Unemployment Rate (%)	7.40	7.59	7.67	7.65	7.59	7.52	7.42	7.32
Wage and Salary Employment	2,664.9	2,662.6	2,665.4	2,673.7	2,684.2	2,695.8	2,709.0	2,722.7
% Ch	-1.4	-0.3	0.4	1.3	1.6	1.7	2.0	2.0
Manufacturing	315.3	310.8	306.1	304.0	304.2	305.2	306.9	308.6
% Ch	-10.1	-5.7	-5.9	-2.8	0.3	1.4	2.2	2.2
Durable Manufacturing	216.3	211.1	206.5	204.2	203.8	203.9	204.7	205.6
% Ch	-12.6	-9.4	-8.4	-4.4	-0.7	0.1	1.6	1.8
Aerospace	80.5	75.3	70.9	68.3	66.9	65.6	65.1	64.7
% Ch	-22.7	-23.3	-21.6	-13.5	-8.3	-7.5	-2.9	-2.5
Nondurable Manufacturing	99.0	99.7	99.6	99.8	100.4	101.4	102.3	103.0
% Ch	-4.4	2.9	-0.5	0.6	2.5	4.1	3.5	3.1
Nonmanufacturing	2,349.5	2,351.8	2,359.3	2,369.8	2,380.0	2,390.5	2,402.0	2,414.0
% Ch	-0.1	0.4	1.3	1.8	1.7	1.8	1.9	2.0
Construction	149.9	148.3	148.3	149.1	149.9	150.3	150.8	151.4
% Ch	-7.2	-4.2	0.1	2.2	2.0	1.2	1.2	1.6
Services	778.1	782.9	790.3	797.7	804.5	810.9	818.4	825.0
% Ch	3.2	2.5	3.8	3.8	3.5	3.2	3.8	3.2
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	36.224	39.199	38.145	36.852	36.420	36.252	36.115	36.643
% Ch	8.7	37.1	-10.3	-12.9	-4.6	-1.8	-1.5	6.0
Single-Family	24.615	25.755	24.879	24.192	23.955	23.897	23.782	24.064
% Ch	-19.2	19.9	-12.9	-10.6	-3.8	-1.0	-1.9	4.8
Multi-Family	11.610	13.444	13.266	12.660	12.465	12.355	12.333	12.579
% Ch	121.3	79.8	-5.2	-17.0	-6.0	-3.5	-0.7	8.2
Mortgage Rate (%)	7.04	6.87	7.09	7.21	7.28	7.37	7.51	7.54

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real Income (Billions of Chained 1996 Dollars)</b>								
Real Personal Income	181.897	183.358	184.665	185.935	187.598	188.942	190.269	191.733
% Ch	4.1	3.3	2.9	2.8	3.6	2.9	2.8	3.1
Real Wage and Salary Disb.	105.565	106.505	107.316	108.153	109.050	109.883	110.692	111.606
% Ch	3.8	3.6	3.1	3.2	3.4	3.1	3.0	3.3
Real Nonwage Income	76.332	76.853	77.349	77.782	78.547	79.059	79.577	80.128
% Ch	4.5	2.8	2.6	2.3	4.0	2.6	2.6	2.8
Real Per Capita Income (\$/Person)	29,489	29,639	29,759	29,869	30,037	30,148	30,253	30,375
% Ch	2.9	2.0	1.6	1.5	2.3	1.5	1.4	1.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (1996=1.0)	1.145	1.152	1.159	1.166	1.172	1.178	1.185	1.191
% Ch	2.2	2.3	2.5	2.3	2.1	2.2	2.3	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.960	1.970	1.982	1.993	2.004	2.015	2.028	2.039
% Ch	2.0	2.2	2.4	2.2	2.2	2.4	2.4	2.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.44	18.50	18.56	18.62	18.68	18.75	18.81	18.88
% Ch	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	207.726	210.565	213.320	216.043	219.146	221.923	224.738	227.697
% Ch	6.4	5.6	5.3	5.2	5.9	5.2	5.2	5.4
Personal Income	208.354	211.230	214.030	216.724	219.823	222.619	225.435	228.346
% Ch	6.3	5.6	5.4	5.1	5.8	5.2	5.2	5.3
Disposable Personal Income	179.181	181.679	184.102	186.460	189.479	191.856	194.284	196.661
% Ch	7.1	5.7	5.4	5.2	6.6	5.1	5.2	5.0
Per Capita Income (\$/Person)	33,778	34,144	34,491	34,815	35,196	35,522	35,845	36,176
% Ch	5.2	4.4	4.1	3.8	4.5	3.8	3.7	3.7
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,094.1	3,108.7	3,122.8	3,137.2	3,151.6	3,165.9	3,180.4	3,195.2
Total Washington Employment	2,872.0	2,890.6	2,907.7	2,924.9	2,941.5	2,957.5	2,973.5	2,989.4
Unemployment Rate (%)	7.18	7.02	6.89	6.77	6.67	6.58	6.51	6.44
Wage and Salary Employment	2,739.1	2,756.6	2,772.7	2,788.8	2,804.4	2,819.5	2,834.5	2,849.4
% Ch	2.4	2.6	2.4	2.3	2.3	2.2	2.2	2.1
Manufacturing	310.7	313.3	316.0	318.3	320.7	323.1	325.4	327.5
% Ch	2.7	3.4	3.4	3.0	3.0	3.1	2.9	2.7
Durable Manufacturing	206.9	208.9	210.8	212.7	214.6	216.5	218.4	220.2
% Ch	2.5	3.8	3.8	3.6	3.6	3.6	3.5	3.4
Aerospace	64.9	65.9	66.9	67.9	68.9	70.0	71.0	72.1
% Ch	1.5	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Nondurable Manufacturing	103.8	104.5	105.2	105.6	106.1	106.6	107.0	107.4
% Ch	3.1	2.6	2.6	1.6	1.9	2.0	1.6	1.3
Nonmanufacturing	2,428.4	2,443.2	2,456.7	2,470.5	2,483.7	2,496.4	2,509.2	2,521.9
% Ch	2.4	2.5	2.2	2.3	2.2	2.1	2.1	2.0
Construction	152.4	153.6	155.0	156.4	157.8	159.1	160.4	161.5
% Ch	2.7	3.2	3.7	3.7	3.6	3.4	3.2	2.9
Services	831.8	838.2	843.8	849.3	855.6	861.8	868.5	875.2
% Ch	3.3	3.1	2.7	2.6	3.0	3.0	3.1	3.1
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	37.375	38.520	39.235	40.036	40.691	41.106	41.535	42.079
% Ch	8.2	12.8	7.6	8.4	6.7	4.1	4.2	5.3
Single-Family	24.333	25.027	25.608	26.250	26.768	26.857	26.945	27.063
% Ch	4.6	11.9	9.6	10.4	8.1	1.3	1.3	1.8
Multi-Family	13.042	13.493	13.627	13.786	13.922	14.249	14.590	15.016
% Ch	15.6	14.5	4.1	4.7	4.0	9.7	9.9	12.2
Mortgage Rate (%)	7.62	7.58	7.52	7.43	7.38	7.38	7.38	7.38

Table A2.1

**U.S. Nonagricultural Employment by Industry**

Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	125.84	128.90	131.76	132.23	131.67	133.73	136.57	138.68
% Ch	2.6	2.4	2.2	0.4	-0.4	1.6	2.1	1.6
Manufacturing	18.81	18.55	18.47	17.70	16.85	17.04	17.44	17.64
% Ch	0.7	-1.3	-0.5	-4.2	-4.8	1.1	2.4	1.2
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.90	7.10	7.37	7.46
% Ch	-0.8	-2.1	-1.5	-3.7	-2.3	3.0	3.8	1.2
Food and Kindred Products	1.68	1.68	1.68	1.68	1.69	1.72	1.76	1.77
% Ch	-0.1	-0.0	0.1	-0.0	0.4	1.5	2.7	0.6
Pulp and Paper	0.68	0.67	0.66	0.64	0.62	0.63	0.66	0.66
% Ch	-0.8	-1.4	-1.7	-3.3	-1.6	1.6	3.6	0.7
Apparel	0.77	0.69	0.63	0.57	0.52	0.52	0.52	0.50
% Ch	-7.1	-9.9	-8.3	-10.6	-8.4	-0.3	-0.1	-2.2
Printing	1.56	1.55	1.55	1.49	1.45	1.51	1.60	1.65
% Ch	0.8	-0.8	-0.3	-3.6	-3.0	4.3	6.1	3.3
Chemicals	1.04	1.04	1.04	1.03	1.01	1.03	1.06	1.07
% Ch	0.7	-0.7	0.2	-0.4	-1.9	2.0	2.9	0.1
Other Nondurables	1.87	1.81	1.77	1.65	1.60	1.69	1.77	1.80
% Ch	-1.0	-2.8	-2.3	-6.9	-2.9	5.7	4.6	1.6
Durable Manufacturing	11.21	11.11	11.14	10.64	9.96	9.93	10.07	10.19
% Ch	1.8	-0.8	0.2	-4.5	-6.4	-0.3	1.4	1.1
Lumber and Wood	0.81	0.83	0.83	0.79	0.80	0.83	0.87	0.89
% Ch	2.2	2.6	-0.3	-4.5	0.1	4.4	4.9	1.8
Furniture	0.53	0.55	0.56	0.53	0.50	0.51	0.53	0.54
% Ch	4.0	2.9	1.9	-5.5	-6.1	2.1	4.4	1.8
Stone-Clay-Glass	0.56	0.57	0.58	0.57	0.55	0.55	0.56	0.57
% Ch	1.7	0.9	2.1	-1.4	-4.3	0.4	3.0	1.0
Primary Metals	0.71	0.70	0.70	0.65	0.60	0.62	0.65	0.66
% Ch	0.6	-2.2	-0.2	-6.8	-7.1	3.1	4.2	2.0
Fabricated Metals	1.51	1.52	1.54	1.48	1.42	1.47	1.52	1.53
% Ch	2.1	0.8	1.0	-3.8	-3.8	3.2	3.4	1.1
Nonelectrical Machinery	2.21	2.14	2.12	2.01	1.76	1.54	1.49	1.50
% Ch	1.8	-3.2	-0.8	-5.0	-12.6	-12.5	-3.2	0.3
Electrical Machinery	1.71	1.67	1.72	1.61	1.49	1.50	1.46	1.50
% Ch	1.1	-2.1	2.8	-6.2	-7.7	1.0	-3.0	2.7
Transportation Equipment	1.89	1.89	1.85	1.75	1.63	1.65	1.68	1.68
% Ch	2.6	-0.3	-2.0	-5.5	-6.8	1.5	1.9	-0.3
Instruments	0.87	0.86	0.85	0.86	0.84	0.87	0.91	0.91
% Ch	0.8	-2.0	-0.3	0.8	-2.0	3.9	3.6	0.6
Other Durables	0.39	0.39	0.39	0.39	0.38	0.39	0.40	0.41
% Ch	0.9	-0.9	0.7	-2.2	-2.5	2.9	4.4	2.5
Nonmanufacturing	107.04	110.35	113.29	114.53	114.82	116.69	119.12	121.04
% Ch	2.9	3.1	2.7	1.1	0.3	1.6	2.1	1.6
Mining	0.59	0.54	0.54	0.56	0.54	0.53	0.53	0.52
% Ch	-1.1	-8.7	0.6	3.8	-4.6	-0.7	-0.7	-1.6
Construction	6.02	6.41	6.70	6.87	6.74	6.81	7.01	7.15
% Ch	5.7	6.6	4.5	2.5	-1.8	1.0	3.0	1.9
Trans., Comm. and Utilities	6.61	6.83	7.02	7.07	7.04	7.24	7.52	7.72
% Ch	3.2	3.4	2.7	0.8	-0.5	2.9	3.8	2.6
Wholesale Trade	6.80	6.91	7.02	7.01	6.95	7.04	7.20	7.29
% Ch	2.3	1.6	1.6	-0.1	-0.9	1.3	2.3	1.3
Retail Trade	22.30	22.85	23.31	23.49	23.27	23.30	23.71	23.97
% Ch	1.5	2.5	2.0	0.8	-1.0	0.1	1.7	1.1
Finance-Insurance-Real Estate	7.39	7.56	7.56	7.62	7.67	7.77	7.95	8.14
% Ch	3.9	2.3	0.1	0.8	0.6	1.3	2.4	2.4
Services	37.53	39.05	40.46	41.03	41.48	42.75	43.91	44.87
% Ch	4.1	4.1	3.6	1.4	1.1	3.1	2.7	2.2
State and Local Government	17.13	17.53	17.89	18.25	18.49	18.60	18.63	18.70
% Ch	1.6	2.3	2.1	2.0	1.4	0.5	0.2	0.4
Federal Government	2.69	2.67	2.78	2.62	2.64	2.66	2.66	2.67
% Ch	-0.5	-0.6	4.2	-5.8	0.8	0.7	0.3	0.3

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	130.98	131.85	131.93	132.26	132.56	132.48	132.36	131.50
% Ch	2.7	2.7	0.2	1.0	0.9	-0.2	-0.4	-2.6
Manufacturing	18.50	18.51	18.49	18.38	18.19	17.88	17.56	17.17
% Ch	0.2	0.1	-0.5	-2.3	-4.1	-6.6	-7.1	-8.4
Nondurable Manufacturing	7.38	7.36	7.32	7.26	7.20	7.10	7.02	6.92
% Ch	-1.1	-1.1	-2.5	-3.0	-3.5	-5.3	-4.5	-5.5
Food and Kindred Products	1.69	1.69	1.68	1.68	1.69	1.69	1.68	1.69
% Ch	-0.5	-0.4	-2.3	0.0	1.4	-0.1	-1.6	2.2
Pulp and Paper	0.66	0.66	0.66	0.65	0.65	0.64	0.63	0.63
% Ch	-1.0	-1.6	-1.6	-1.0	-4.6	-4.7	-5.3	-2.1
Apparel	0.65	0.64	0.63	0.61	0.59	0.58	0.56	0.53
% Ch	-7.2	-6.0	-8.8	-10.4	-9.9	-12.2	-11.3	-16.1
Printing	1.55	1.55	1.55	1.54	1.53	1.50	1.48	1.45
% Ch	-0.2	0.3	0.0	-2.2	-3.1	-6.6	-5.6	-7.3
Chemicals	1.04	1.04	1.04	1.04	1.04	1.03	1.03	1.02
% Ch	0.9	0.0	-0.6	0.8	0.3	-1.9	0.4	-4.2
Other Nondurables	1.79	1.79	1.77	1.74	1.70	1.67	1.64	1.60
% Ch	-1.2	-1.6	-3.8	-6.5	-7.8	-8.8	-6.6	-9.9
Durable Manufacturing	11.12	11.15	11.17	11.12	10.99	10.78	10.54	10.25
% Ch	1.0	1.0	0.8	-1.9	-4.5	-7.4	-8.8	-10.3
Lumber and Wood	0.84	0.84	0.83	0.82	0.80	0.80	0.79	0.78
% Ch	0.8	-1.7	-3.5	-6.9	-7.1	-1.5	-1.8	-5.1
Furniture	0.56	0.56	0.56	0.56	0.55	0.54	0.52	0.50
% Ch	2.4	2.2	1.9	-3.1	-5.2	-8.0	-12.3	-14.3
Stone-Clay-Glass	0.58	0.58	0.58	0.58	0.58	0.57	0.57	0.56
% Ch	4.5	-0.5	0.7	-2.1	0.9	-2.7	-4.3	-4.2
Primary Metals	0.70	0.70	0.70	0.69	0.68	0.66	0.64	0.62
% Ch	2.5	-0.6	-1.1	-4.3	-7.7	-9.5	-10.1	-12.8
Fabricated Metals	1.53	1.54	1.54	1.54	1.52	1.49	1.47	1.44
% Ch	1.6	2.6	0.7	-1.5	-5.1	-6.9	-5.2	-8.3
Nonelectrical Machinery	2.11	2.12	2.13	2.12	2.10	2.05	1.98	1.92
% Ch	-0.6	0.3	2.8	-1.7	-3.6	-9.1	-12.7	-12.7
Electrical Machinery	1.69	1.71	1.74	1.74	1.73	1.65	1.57	1.50
% Ch	3.8	4.6	6.5	0.2	-2.8	-15.4	-19.3	-16.1
Transportation Equipment	1.87	1.87	1.84	1.82	1.78	1.76	1.75	1.70
% Ch	-0.7	-1.0	-6.1	-3.7	-9.1	-4.4	-2.8	-9.1
Instruments	0.84	0.85	0.86	0.86	0.87	0.87	0.86	0.84
% Ch	-1.9	1.9	4.8	3.6	3.0	-2.4	-3.3	-6.7
Other Durables	0.39	0.39	0.39	0.40	0.39	0.39	0.38	0.38
% Ch	1.0	-1.3	2.4	0.3	-3.7	-2.7	-5.7	-5.1
Nonmanufacturing	112.48	113.34	113.44	113.89	114.37	114.60	114.80	114.33
% Ch	3.1	3.1	0.3	1.6	1.7	0.8	0.7	-1.6
Mining	0.53	0.54	0.54	0.55	0.55	0.56	0.57	0.57
% Ch	1.0	5.1	2.0	3.7	3.7	6.7	3.8	-1.2
Construction	6.66	6.66	6.70	6.78	6.88	6.87	6.87	6.85
% Ch	7.9	-0.4	2.6	4.6	6.1	-0.7	0.0	-0.9
Trans., Comm. and Utilities	6.96	7.00	7.02	7.09	7.12	7.12	7.09	6.96
% Ch	2.9	2.2	1.0	4.2	1.5	0.2	-2.0	-6.8
Wholesale Trade	6.98	7.01	7.04	7.07	7.07	7.04	7.00	6.95
% Ch	1.5	1.6	1.6	1.7	-0.0	-1.6	-1.8	-3.2
Retail Trade	23.20	23.29	23.34	23.39	23.45	23.55	23.57	23.40
% Ch	2.3	1.5	1.0	0.9	0.9	1.7	0.5	-2.9
Finance-Insurance-Real Estate	7.57	7.55	7.55	7.58	7.61	7.63	7.62	7.63
% Ch	-0.2	-1.2	-0.1	1.5	1.7	1.4	-0.5	0.4
Services	40.03	40.36	40.61	40.84	41.03	41.05	41.10	40.94
% Ch	3.8	3.3	2.6	2.2	1.9	0.3	0.5	-1.6
State and Local Government	17.80	17.86	17.94	17.98	18.06	18.17	18.35	18.41
% Ch	2.0	1.3	1.7	0.9	1.9	2.4	4.1	1.3
Federal Government	2.73	3.08	2.70	2.62	2.61	2.62	2.62	2.62
% Ch	12.5	62.2	-40.7	-11.4	-0.7	0.4	1.4	-1.5

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	131.27	131.46	131.73	132.22	132.75	133.36	134.05	134.76
% Ch	-0.7	0.6	0.8	1.5	1.6	1.9	2.1	2.1
Manufacturing	16.97	16.91	16.78	16.75	16.82	16.98	17.11	17.24
% Ch	-4.6	-1.4	-3.2	-0.5	1.6	3.7	3.2	3.1
Nondurable Manufacturing	6.90	6.91	6.88	6.90	6.96	7.07	7.16	7.24
% Ch	-1.1	0.3	-1.3	0.9	3.5	6.4	5.3	4.6
Food and Kindred Products	1.69	1.70	1.69	1.69	1.69	1.71	1.73	1.74
% Ch	1.5	0.8	-1.6	-1.2	1.8	4.2	3.9	2.8
Pulp and Paper	0.63	0.63	0.62	0.62	0.62	0.63	0.64	0.65
% Ch	2.5	-2.2	-3.1	-1.2	1.7	5.7	4.7	4.5
Apparel	0.52	0.52	0.51	0.51	0.52	0.52	0.52	0.52
% Ch	-8.3	-1.0	-6.0	0.2	1.1	0.9	0.4	0.4
Printing	1.45	1.45	1.44	1.45	1.47	1.50	1.52	1.55
% Ch	-1.9	0.7	-1.7	1.7	4.6	8.8	7.2	7.2
Chemicals	1.02	1.02	1.01	1.01	1.01	1.03	1.04	1.05
% Ch	-1.8	-1.2	-2.4	-0.7	2.4	5.7	5.3	4.4
Other Nondurables	1.59	1.59	1.60	1.62	1.65	1.68	1.71	1.73
% Ch	-1.7	1.6	2.3	4.6	6.4	8.9	6.6	5.7
Durable Manufacturing	10.07	10.01	9.89	9.86	9.86	9.91	9.95	10.00
% Ch	-6.8	-2.6	-4.5	-1.5	0.3	1.9	1.8	2.0
Lumber and Wood	0.79	0.79	0.80	0.80	0.81	0.82	0.84	0.85
% Ch	3.3	1.7	1.5	2.2	4.4	7.4	6.3	6.2
Furniture	0.50	0.50	0.50	0.49	0.50	0.50	0.51	0.52
% Ch	-4.1	1.5	-2.1	-2.1	2.5	6.2	4.2	6.4
Stone-Clay-Glass	0.55	0.55	0.54	0.54	0.54	0.55	0.55	0.56
% Ch	-6.8	-2.3	-4.7	-1.8	0.1	3.8	3.8	4.0
Primary Metals	0.61	0.60	0.60	0.60	0.61	0.62	0.63	0.64
% Ch	-9.9	-0.5	-1.1	1.0	3.6	6.5	5.8	4.8
Fabricated Metals	1.43	1.42	1.42	1.42	1.44	1.46	1.48	1.49
% Ch	-3.0	-1.4	-1.3	0.5	4.8	7.3	4.8	4.2
Nonelectrical Machinery	1.86	1.81	1.72	1.65	1.60	1.55	1.52	1.50
% Ch	-12.2	-10.0	-18.0	-14.5	-13.2	-11.9	-7.5	-4.8
Electrical Machinery	1.46	1.49	1.49	1.51	1.51	1.51	1.50	1.50
% Ch	-10.9	7.9	1.7	6.1	-1.4	-1.2	-0.9	-1.6
Transportation Equipment	1.67	1.63	1.61	1.61	1.63	1.65	1.66	1.67
% Ch	-8.4	-9.7	-3.6	-1.0	4.9	5.2	3.7	2.4
Instruments	0.84	0.84	0.84	0.85	0.86	0.87	0.88	0.89
% Ch	-0.4	0.0	-1.9	3.3	5.7	6.5	4.6	4.8
Other Durables	0.38	0.38	0.38	0.38	0.38	0.38	0.39	0.39
% Ch	-3.1	1.0	-0.7	1.5	4.1	4.6	3.7	4.8
Nonmanufacturing	114.30	114.54	114.95	115.47	115.93	116.39	116.94	117.52
% Ch	-0.1	0.9	1.4	1.8	1.6	1.6	1.9	2.0
Mining	0.56	0.53	0.53	0.53	0.53	0.53	0.53	0.53
% Ch	-6.4	-16.3	-5.2	5.2	0.7	0.2	-0.1	-1.5
Construction	6.76	6.74	6.72	6.76	6.78	6.79	6.80	6.86
% Ch	-5.4	-1.2	-1.0	2.5	1.1	0.6	0.8	3.2
Trans., Comm. and Utilities	6.93	7.01	7.08	7.13	7.17	7.20	7.27	7.34
% Ch	-1.8	4.6	4.0	3.1	2.0	2.1	3.5	4.1
Wholesale Trade	6.95	6.94	6.94	6.96	6.99	7.02	7.05	7.10
% Ch	0.3	-0.8	0.3	1.2	1.5	1.5	2.2	2.4
Retail Trade	23.36	23.29	23.21	23.21	23.22	23.28	23.30	23.40
% Ch	-0.7	-1.3	-1.4	-0.0	0.2	1.1	0.5	1.7
Finance-Insurance-Real Estate	7.65	7.65	7.68	7.69	7.72	7.74	7.79	7.82
% Ch	0.7	0.4	1.5	0.3	1.6	1.2	2.2	1.5
Services	41.04	41.27	41.62	41.98	42.29	42.57	42.92	43.20
% Ch	0.9	2.3	3.4	3.4	3.0	2.7	3.3	2.6
State and Local Government	18.43	18.47	18.53	18.55	18.57	18.59	18.61	18.61
% Ch	0.4	1.0	1.2	0.6	0.4	0.4	0.4	0.0
Federal Government	2.62	2.64	2.64	2.65	2.66	2.66	2.66	2.66
% Ch	1.3	1.9	0.9	0.9	1.0	0.0	0.3	0.3

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	135.59	136.32	136.91	137.45	137.99	138.47	138.93	139.34
% Ch	2.5	2.2	1.7	1.6	1.6	1.4	1.3	1.2
Manufacturing	17.34	17.41	17.49	17.54	17.57	17.63	17.67	17.70
% Ch	2.4	1.4	1.9	1.1	0.9	1.3	0.9	0.6
Nondurable Manufacturing	7.31	7.36	7.40	7.42	7.44	7.46	7.47	7.47
% Ch	3.9	2.6	2.6	1.1	0.9	1.1	0.5	0.1
Food and Kindred Products	1.75	1.76	1.77	1.77	1.77	1.78	1.78	1.77
% Ch	2.6	2.5	2.4	-0.5	0.1	1.5	0.2	-1.0
Pulp and Paper	0.65	0.66	0.66	0.66	0.66	0.66	0.66	0.66
% Ch	3.9	2.5	2.3	1.0	0.3	0.3	-0.4	-0.4
Apparel	0.52	0.52	0.52	0.51	0.51	0.51	0.50	0.50
% Ch	1.8	-1.5	-2.1	-3.2	-1.5	-2.3	-2.4	-2.2
Printing	1.57	1.59	1.61	1.63	1.64	1.65	1.66	1.67
% Ch	6.2	4.9	5.1	3.7	2.8	2.9	2.4	2.3
Chemicals	1.06	1.06	1.07	1.07	1.07	1.07	1.06	1.06
% Ch	2.6	1.3	1.4	0.3	-0.4	-0.0	-0.5	-0.7
Other Nondurables	1.75	1.77	1.78	1.79	1.79	1.80	1.80	1.80
% Ch	4.5	2.8	2.8	2.1	1.5	1.1	0.6	0.6
Durable Manufacturing	10.04	10.05	10.08	10.11	10.14	10.17	10.21	10.23
% Ch	1.4	0.6	1.4	1.2	0.9	1.5	1.3	0.9
Lumber and Wood	0.86	0.87	0.88	0.88	0.88	0.89	0.89	0.89
% Ch	4.8	3.8	3.4	2.3	1.6	1.1	0.5	0.4
Furniture	0.52	0.53	0.53	0.53	0.54	0.54	0.54	0.54
% Ch	4.7	2.2	4.4	2.8	0.9	1.2	0.6	1.4
Stone-Clay-Glass	0.56	0.56	0.57	0.57	0.57	0.57	0.57	0.57
% Ch	3.1	2.2	2.4	1.1	0.6	0.8	0.3	0.1
Primary Metals	0.64	0.65	0.65	0.66	0.66	0.66	0.66	0.67
% Ch	3.7	3.1	4.1	2.4	0.5	2.1	1.6	1.6
Fabricated Metals	1.51	1.51	1.52	1.53	1.53	1.54	1.54	1.54
% Ch	3.2	2.0	2.4	1.5	0.9	0.9	0.2	-0.1
Nonelectrical Machinery	1.49	1.49	1.49	1.49	1.49	1.49	1.50	1.50
% Ch	-1.8	-0.8	1.0	-0.7	0.2	0.0	1.7	2.1
Electrical Machinery	1.48	1.46	1.44	1.45	1.47	1.49	1.51	1.52
% Ch	-4.0	-6.1	-4.0	2.4	4.8	5.7	5.6	3.4
Transportation Equipment	1.68	1.68	1.69	1.68	1.68	1.68	1.68	1.68
% Ch	1.3	1.2	0.9	-0.4	-1.8	0.5	-0.2	-0.3
Instruments	0.90	0.90	0.91	0.91	0.91	0.91	0.91	0.91
% Ch	3.9	2.0	2.2	0.9	0.3	0.2	-0.4	-0.6
Other Durables	0.40	0.40	0.41	0.41	0.41	0.41	0.41	0.42
% Ch	4.8	4.3	4.7	3.2	2.1	1.9	1.2	1.0
Nonmanufacturing	118.24	118.91	119.42	119.92	120.42	120.84	121.26	121.64
% Ch	2.5	2.3	1.7	1.7	1.7	1.4	1.4	1.3
Mining	0.53	0.53	0.53	0.53	0.52	0.52	0.52	0.52
% Ch	-0.6	-0.5	-1.1	-1.2	-1.9	-2.0	-2.0	-1.4
Construction	6.94	7.00	7.03	7.07	7.11	7.14	7.16	7.17
% Ch	4.7	3.5	2.0	2.2	2.4	1.4	1.2	0.7
Trans., Comm. and Utilities	7.42	7.49	7.56	7.62	7.67	7.70	7.73	7.77
% Ch	4.5	3.9	3.5	3.4	2.5	2.0	1.6	1.6
Wholesale Trade	7.15	7.19	7.22	7.24	7.27	7.29	7.30	7.32
% Ch	2.9	2.2	1.7	1.4	1.3	1.0	1.1	1.1
Retail Trade	23.54	23.68	23.76	23.85	23.92	23.96	23.99	24.01
% Ch	2.3	2.5	1.3	1.5	1.2	0.8	0.5	0.4
Finance-Insurance-Real Estate	7.86	7.92	7.98	8.04	8.09	8.13	8.17	8.19
% Ch	2.3	3.3	3.1	2.8	2.4	2.0	1.8	1.0
Services	43.53	43.82	44.04	44.25	44.50	44.74	45.00	45.26
% Ch	3.1	2.6	2.0	1.9	2.3	2.2	2.3	2.3
State and Local Government	18.61	18.62	18.64	18.66	18.68	18.69	18.71	18.73
% Ch	0.0	0.2	0.4	0.4	0.4	0.3	0.4	0.4
Federal Government	2.66	2.66	2.66	2.67	2.67	2.67	2.67	2.67
% Ch	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

Table A2.3  
**Washington Nonagricultural Employment by Industry**  
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	2,594.7	2,648.7	2,709.2	2,702.5	2,666.7	2,702.9	2,764.3	2,827.0
% Ch	3.2	2.1	2.3	-0.2	-1.3	1.4	2.3	2.3
Manufacturing	379.6	364.1	350.8	334.1	309.0	306.3	314.6	324.2
% Ch	2.6	-4.1	-3.7	-4.8	-7.5	-0.9	2.7	3.0
Nondurable Manufacturing	108.6	108.3	107.7	102.6	99.5	101.8	104.8	106.8
% Ch	-0.2	-0.2	-0.6	-4.8	-3.0	2.2	3.0	1.9
Food and Kindred Products	40.7	41.1	41.3	40.1	39.3	40.0	41.0	41.6
% Ch	-1.4	0.9	0.5	-2.9	-2.2	1.9	2.5	1.6
Pulp and Paper	16.2	15.9	15.6	14.6	13.9	14.0	14.0	13.9
% Ch	-0.7	-2.0	-1.7	-6.2	-4.6	0.2	-0.1	-0.1
Apparel	9.6	8.7	8.1	7.2	6.6	6.6	6.7	6.7
% Ch	-5.5	-8.9	-7.3	-11.1	-8.9	0.9	1.1	-0.1
Printing	24.4	24.2	24.3	22.9	22.1	23.0	24.6	25.6
% Ch	0.9	-0.9	0.4	-5.5	-3.8	4.3	6.7	4.3
Chemicals	6.0	6.2	6.1	6.0	6.1	6.4	6.8	7.0
% Ch	6.1	3.0	-0.7	-2.7	2.5	4.9	5.3	4.0
Other Nondurables	11.7	12.3	12.3	11.7	11.6	11.7	11.8	11.9
% Ch	4.5	4.8	0.3	-4.9	-1.0	1.3	0.6	0.6
Durable Manufacturing	271.0	255.8	243.1	231.6	209.5	204.5	209.8	217.4
% Ch	3.7	-5.6	-5.0	-4.7	-9.5	-2.4	2.6	3.6
Lumber and Wood	34.2	33.9	33.0	30.6	30.0	30.9	32.0	32.4
% Ch	-4.1	-0.7	-2.7	-7.3	-2.0	3.2	3.6	1.3
Furniture	4.7	4.7	4.9	4.5	4.2	4.3	4.3	4.4
% Ch	14.5	1.4	2.4	-8.3	-5.0	1.0	1.7	2.1
Stone-Clay-Glass	9.1	8.9	9.1	8.6	7.9	7.9	7.9	8.0
% Ch	-4.0	-2.7	2.6	-6.3	-8.1	-0.2	0.5	1.7
Primary Metals	12.0	11.7	11.0	9.0	7.8	7.8	8.0	8.1
% Ch	3.0	-2.4	-5.8	-18.6	-12.8	-0.2	2.8	1.5
Fabricated Metals	14.8	14.6	15.0	14.3	13.7	14.1	14.5	14.8
% Ch	3.7	-1.2	2.3	-4.3	-4.2	2.9	2.5	2.3
Nonelectrical Machinery	26.1	25.1	25.3	23.8	21.8	21.9	22.9	23.8
% Ch	-1.8	-3.8	0.6	-6.0	-8.4	0.8	4.5	3.8
Electrical Machinery	18.5	18.5	20.0	18.8	16.3	16.9	17.9	18.8
% Ch	8.8	-0.3	8.5	-6.4	-12.9	3.4	6.0	5.1
Aerospace	112.4	98.9	86.2	87.0	73.7	65.6	66.4	70.5
% Ch	7.1	-12.0	-12.8	0.9	-15.3	-11.1	1.3	6.2
Other Trans. Equip.	15.6	15.9	15.1	12.7	11.9	12.1	12.2	12.3
% Ch	7.6	1.7	-4.7	-16.5	-6.1	1.7	1.1	0.8
Instruments	14.9	14.8	14.7	14.6	14.8	15.2	15.5	15.7
% Ch	2.7	-0.7	-0.9	-0.2	0.9	3.3	1.7	1.5
Other Durables	8.7	8.8	8.8	7.9	7.4	7.8	8.1	8.4
% Ch	1.6	1.2	0.0	-10.3	-5.5	5.0	3.7	3.6
Nonmanufacturing	2,215.1	2,284.6	2,358.4	2,368.4	2,357.6	2,396.6	2,449.7	2,502.8
% Ch	3.3	3.1	3.2	0.4	-0.5	1.7	2.2	2.2
Mining	3.3	3.1	3.6	3.4	3.2	3.3	3.4	3.5
% Ch	-6.1	-4.2	13.1	-4.4	-4.9	2.3	3.5	3.4
Construction	143.7	153.8	161.0	157.3	148.9	150.6	154.3	159.7
% Ch	5.4	7.1	4.7	-2.3	-5.3	1.1	2.5	3.5
Trans., Comm. and Utilities	135.6	139.7	146.1	146.2	142.6	147.7	153.8	158.7
% Ch	2.1	3.0	4.6	0.1	-2.5	3.6	4.1	3.2
Wholesale Trade	153.1	154.1	155.4	156.3	153.1	154.6	158.9	162.7
% Ch	2.3	0.7	0.8	0.6	-2.1	1.0	2.8	2.4
Retail Trade	469.6	482.0	494.3	492.1	479.2	481.7	491.7	500.2
% Ch	2.7	2.6	2.5	-0.4	-2.6	0.5	2.1	1.7
Finance-Insurance-Real Estate	134.6	137.6	137.3	140.9	144.7	147.3	150.7	154.4
% Ch	5.4	2.2	-0.2	2.6	2.7	1.8	2.3	2.5
Services	709.3	739.7	777.6	779.7	787.3	814.7	840.8	865.3
% Ch	4.5	4.3	5.1	0.3	1.0	3.5	3.2	2.9
State and Local Government	398.8	406.9	413.3	424.3	429.7	427.3	426.4	428.2
% Ch	2.2	2.0	1.6	2.6	1.3	-0.6	-0.2	0.4
Federal Government	67.2	67.6	69.9	68.1	69.0	69.5	69.7	70.0
% Ch	-0.9	0.5	3.4	-2.6	1.4	0.6	0.3	0.5



Table A2.4  
**Washington Nonagricultural Employment by Industry**  
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	2,689.6	2,709.3	2,715.7	2,722.4	2,728.8	2,711.7	2,695.6	2,674.0
% Ch	2.6	3.0	1.0	1.0	0.9	-2.5	-2.4	-3.2
Manufacturing	350.8	353.9	350.7	347.8	343.3	337.1	332.4	323.9
% Ch	-8.3	3.6	-3.7	-3.2	-5.1	-7.0	-5.5	-9.9
Nondurable Manufacturing	108.6	108.5	107.7	106.2	104.9	103.1	102.0	100.1
% Ch	-1.3	-0.3	-2.9	-5.5	-4.7	-6.6	-4.2	-7.3
Food and Kindred Products	41.1	41.8	41.7	40.6	40.8	40.2	40.3	39.3
% Ch	-2.8	7.8	-1.2	-10.0	1.1	-5.6	1.2	-9.1
Pulp and Paper	15.7	15.7	15.6	15.4	15.0	14.8	14.4	14.3
% Ch	1.4	-1.2	-0.8	-2.7	-8.0	-5.5	-10.0	-8.9
Apparel	8.5	8.3	7.9	7.7	7.6	7.3	7.1	6.8
% Ch	-13.6	-8.2	-15.6	-11.2	-5.9	-13.5	-11.6	-16.8
Printing	24.4	24.3	24.3	24.1	23.6	23.3	22.7	22.2
% Ch	1.4	-1.2	-0.8	-2.7	-8.0	-5.5	-10.0	-8.9
Chemicals	6.2	6.0	6.1	6.2	6.1	5.9	5.9	6.0
% Ch	-3.8	-14.0	7.0	6.0	-7.5	-10.2	0.2	2.9
Other Nondurables	12.7	12.3	12.1	12.1	11.9	11.6	11.7	11.6
% Ch	14.2	-11.5	-8.7	0.5	-6.8	-7.5	1.1	-2.5
Durable Manufacturing	242.3	245.5	243.0	241.7	238.4	234.0	230.3	223.7
% Ch	-11.2	5.4	-4.0	-2.1	-5.4	-7.2	-6.0	-11.0
Lumber and Wood	33.9	33.7	32.6	31.8	31.3	30.5	30.5	30.0
% Ch	1.8	-2.7	-12.9	-9.2	-5.3	-10.4	-0.3	-6.1
Furniture	4.9	4.9	4.8	4.8	4.6	4.5	4.4	4.3
% Ch	10.3	3.2	-4.7	-2.2	-15.5	-10.2	-7.4	-11.1
Stone-Clay-Glass	9.3	9.2	9.0	9.0	9.1	8.8	8.3	8.1
% Ch	10.1	-3.4	-7.5	0.2	1.7	-11.2	-20.2	-11.6
Primary Metals	11.3	11.0	10.6	11.1	9.9	9.4	8.5	8.1
% Ch	-10.9	-10.3	-12.5	18.4	-37.3	-17.2	-35.0	-15.4
Fabricated Metals	14.8	14.9	15.1	15.0	14.9	14.4	14.1	13.9
% Ch	-1.1	3.4	3.4	-0.4	-3.1	-13.7	-8.1	-5.3
Nonelectrical Machinery	25.2	25.4	25.3	25.2	24.8	24.1	23.4	22.7
% Ch	-1.1	3.2	-1.9	-1.7	-5.9	-11.2	-11.0	-10.8
Electrical Machinery	19.4	19.8	20.3	20.7	20.8	19.2	18.1	17.0
% Ch	20.3	8.7	11.4	7.4	1.6	-26.4	-22.4	-22.1
Aerospace	84.0	87.8	86.9	86.3	86.6	87.5	88.3	85.8
% Ch	-30.9	19.1	-3.9	-2.8	1.6	3.9	3.8	-10.7
Other Trans. Equip.	16.0	15.5	14.8	14.3	13.4	12.8	12.5	11.9
% Ch	4.1	-11.0	-17.0	-11.9	-22.7	-17.9	-10.0	-17.1
Instruments	14.4	14.6	14.8	14.8	14.6	14.7	14.6	14.6
% Ch	-8.1	4.3	5.3	-0.0	-6.1	5.3	-2.9	-1.4
Other Durables	9.1	8.7	8.8	8.6	8.3	8.0	7.8	7.4
% Ch	0.9	-16.2	4.3	-6.2	-13.2	-13.2	-12.6	-18.2
Nonmanufacturing	2,338.8	2,355.3	2,365.1	2,374.6	2,385.6	2,374.6	2,363.2	2,350.1
% Ch	4.4	2.9	1.7	1.6	1.9	-1.8	-1.9	-2.2
Mining	3.6	3.6	3.6	3.5	3.4	3.5	3.4	3.3
% Ch	42.5	6.8	-3.4	-13.9	-4.5	4.2	-6.5	-6.3
Construction	161.2	160.8	159.7	162.3	162.7	158.3	155.4	152.7
% Ch	10.3	-1.1	-2.6	6.6	1.0	-10.3	-7.2	-6.8
Trans., Comm. and Utilities	143.8	145.2	146.7	148.9	148.7	147.8	145.6	142.9
% Ch	3.5	3.9	4.4	6.0	-0.6	-2.4	-5.8	-7.1
Wholesale Trade	154.1	155.0	155.3	157.1	159.4	157.0	154.9	153.8
% Ch	-1.3	2.3	0.7	4.7	6.1	-6.1	-5.1	-2.9
Retail Trade	493.0	496.1	494.0	493.9	497.6	495.2	490.5	485.2
% Ch	4.3	2.5	-1.6	-0.1	3.0	-1.9	-3.7	-4.2
Finance-Insurance-Real Estate	138.0	137.1	136.8	137.3	139.1	139.3	141.8	143.6
% Ch	-0.1	-2.5	-1.0	1.5	5.3	0.6	7.4	5.2
Services	766.2	772.6	782.5	789.0	788.1	783.3	775.6	772.1
% Ch	6.9	3.4	5.2	3.4	-0.5	-2.4	-3.9	-1.8
State and Local Government	411.2	410.5	417.0	414.8	419.3	422.8	427.5	427.6
% Ch	2.4	-0.7	6.5	-2.1	4.5	3.3	4.6	0.0
Federal Government	67.7	74.4	69.5	67.9	67.3	67.6	68.5	69.0
% Ch	0.2	45.8	-23.9	-8.9	-3.4	1.5	5.5	3.1

Table A2.4  
**Washington Nonagricultural Employment by Industry**  
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	2,664.9	2,662.6	2,665.4	2,673.7	2,684.2	2,695.8	2,709.0	2,722.7
% Ch	-1.4	-0.3	0.4	1.3	1.6	1.7	2.0	2.0
Manufacturing	315.3	310.8	306.1	304.0	304.2	305.2	306.9	308.6
% Ch	-10.1	-5.7	-5.9	-2.8	0.3	1.4	2.2	2.2
Nondurable Manufacturing	99.0	99.7	99.6	99.8	100.4	101.4	102.3	103.0
% Ch	-4.4	2.9	-0.5	0.6	2.5	4.1	3.5	3.1
Food and Kindred Products	39.0	39.3	39.4	39.3	39.5	39.9	40.2	40.4
% Ch	-3.1	3.2	0.1	-0.1	2.1	3.3	3.2	2.4
Pulp and Paper	13.9	14.0	14.0	14.0	14.0	14.0	14.0	14.0
% Ch	-9.9	1.2	-0.2	-0.0	0.4	0.4	-0.1	-0.3
Apparel	6.5	6.6	6.5	6.6	6.6	6.6	6.6	6.6
% Ch	-13.4	2.9	-3.2	1.7	1.6	1.3	1.0	1.2
Printing	22.0	22.1	22.0	22.1	22.3	22.8	23.2	23.7
% Ch	-2.5	2.4	-2.4	1.2	4.6	9.3	7.5	7.6
Chemicals	6.0	6.1	6.2	6.2	6.3	6.4	6.5	6.6
% Ch	4.0	5.8	2.6	3.2	4.8	6.7	6.5	6.1
Other Nondurables	11.5	11.6	11.6	11.6	11.7	11.7	11.8	11.8
% Ch	-3.7	3.2	0.6	1.1	1.5	1.6	1.2	0.4
Durable Manufacturing	216.3	211.1	206.5	204.2	203.8	203.9	204.7	205.6
% Ch	-12.6	-9.4	-8.4	-4.4	-0.7	0.1	1.6	1.8
Lumber and Wood	29.8	29.9	30.0	30.1	30.4	30.8	31.1	31.5
% Ch	-2.4	1.3	1.1	1.6	3.2	5.5	4.6	4.5
Furniture	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3
% Ch	-6.2	1.0	0.3	1.5	1.3	0.4	0.8	1.3
Stone-Clay-Glass	7.9	7.9	7.8	7.8	7.9	7.9	7.9	7.9
% Ch	-7.2	-1.9	-1.7	0.1	0.5	0.0	-0.3	-0.1
Primary Metals	7.9	7.8	7.8	7.7	7.7	7.7	7.8	7.9
% Ch	-8.1	-6.4	-2.2	-1.1	-0.9	0.9	3.3	5.3
Fabricated Metals	13.6	13.7	13.7	13.8	13.9	14.1	14.2	14.3
% Ch	-7.0	2.0	1.1	1.2	3.7	4.8	3.4	2.4
Nonelectrical Machinery	22.3	22.0	21.5	21.2	21.5	21.8	22.1	22.4
% Ch	-6.8	-6.6	-7.4	-5.9	5.3	5.7	5.4	5.0
Electrical Machinery	16.2	16.3	16.4	16.5	16.6	16.7	17.0	17.4
% Ch	-16.1	1.9	1.2	2.1	2.5	3.9	7.0	8.4
Aerospace	80.5	75.3	70.9	68.3	66.9	65.6	65.1	64.7
% Ch	-22.7	-23.3	-21.6	-13.5	-8.3	-7.5	-2.9	-2.5
Other Trans. Equip.	11.9	11.8	11.9	11.9	12.0	12.1	12.1	12.1
% Ch	-1.1	-0.6	0.7	2.1	2.2	2.4	1.6	1.2
Instruments	14.6	14.7	14.8	14.9	15.1	15.2	15.3	15.3
% Ch	0.5	3.1	2.0	4.3	4.6	2.9	1.7	1.6
Other Durables	7.3	7.4	7.5	7.6	7.7	7.8	7.9	7.9
% Ch	-5.0	5.9	4.7	5.6	5.7	4.7	4.0	3.5
Nonmanufacturing	2,349.5	2,351.8	2,359.3	2,369.8	2,380.0	2,390.5	2,402.0	2,414.0
% Ch	-0.1	0.4	1.3	1.8	1.7	1.8	1.9	2.0
Mining	3.3	3.2	3.2	3.2	3.3	3.3	3.3	3.4
% Ch	-9.4	-4.5	-0.3	2.9	3.7	3.2	3.1	3.1
Construction	149.9	148.3	148.3	149.1	149.9	150.3	150.8	151.4
% Ch	-7.2	-4.2	0.1	2.2	2.0	1.2	1.2	1.6
Trans., Comm. and Utilities	141.1	141.9	143.0	144.4	145.7	147.0	148.4	149.8
% Ch	-5.1	2.4	3.2	4.0	3.5	3.7	3.9	3.9
Wholesale Trade	153.8	153.0	152.7	152.9	153.4	154.1	154.9	155.9
% Ch	-0.1	-2.0	-0.9	0.5	1.5	1.8	2.1	2.4
Retail Trade	480.5	479.4	478.2	478.6	479.2	480.9	482.1	484.7
% Ch	-3.9	-0.9	-1.0	0.3	0.5	1.5	1.0	2.2
Finance-Insurance-Real Estate	144.4	144.4	144.7	145.3	146.1	146.8	147.7	148.5
% Ch	2.4	-0.0	0.7	1.8	2.2	2.1	2.2	2.2
Services	778.1	782.9	790.3	797.7	804.5	810.9	818.4	825.0
% Ch	3.2	2.5	3.8	3.8	3.5	3.2	3.8	3.2
State and Local Government	429.8	429.7	429.9	429.3	428.5	427.7	427.0	425.9
% Ch	2.1	-0.1	0.1	-0.6	-0.7	-0.8	-0.7	-1.0
Federal Government	68.7	69.0	69.1	69.3	69.4	69.4	69.5	69.5
% Ch	-1.5	1.5	0.8	0.8	0.8	0.1	0.3	0.3

Table A2.4  
**Washington Nonagricultural Employment by Industry**  
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	2,739.1	2,756.6	2,772.7	2,788.8	2,804.4	2,819.5	2,834.5	2,849.4
% Ch	2.4	2.6	2.4	2.3	2.3	2.2	2.2	2.1
Manufacturing	310.7	313.3	316.0	318.3	320.7	323.1	325.4	327.5
% Ch	2.7	3.4	3.4	3.0	3.0	3.1	2.9	2.7
Nondurable Manufacturing	103.8	104.5	105.2	105.6	106.1	106.6	107.0	107.4
% Ch	3.1	2.6	2.6	1.6	1.9	2.0	1.6	1.3
Food and Kindred Products	40.7	40.9	41.2	41.2	41.4	41.6	41.7	41.8
% Ch	2.7	2.4	2.3	0.7	1.7	2.0	1.3	0.6
Pulp and Paper	14.0	14.0	14.0	13.9	13.9	13.9	13.9	13.9
% Ch	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2
Apparel	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
% Ch	2.8	0.3	-0.1	-1.0	0.5	-0.2	-0.3	-0.2
Printing	24.1	24.4	24.7	25.0	25.3	25.5	25.7	25.9
% Ch	6.6	5.6	6.1	4.7	3.7	4.0	3.5	3.3
Chemicals	6.7	6.7	6.8	6.9	6.9	7.0	7.1	7.1
% Ch	5.1	4.5	4.7	4.0	3.7	4.0	3.6	3.4
Other Nondurables	11.8	11.8	11.8	11.8	11.9	11.9	11.9	11.9
% Ch	0.2	0.5	0.7	0.9	0.6	0.4	0.7	0.7
Durable Manufacturing	206.9	208.9	210.8	212.7	214.6	216.5	218.4	220.2
% Ch	2.5	3.8	3.8	3.6	3.6	3.6	3.5	3.4
Lumber and Wood	31.7	31.9	32.1	32.3	32.4	32.4	32.4	32.5
% Ch	3.5	2.8	2.5	1.6	1.1	0.8	0.3	0.2
Furniture	4.3	4.3	4.4	4.4	4.4	4.4	4.4	4.5
% Ch	1.8	2.3	2.4	2.4	2.2	1.9	1.7	1.6
Stone-Clay-Glass	7.9	7.9	7.9	7.9	8.0	8.0	8.1	8.1
% Ch	0.4	1.1	1.5	1.8	1.9	1.9	1.7	1.4
Primary Metals	8.0	8.0	8.0	8.1	8.1	8.1	8.1	8.2
% Ch	2.7	2.0	2.0	1.4	1.4	1.4	1.3	1.3
Fabricated Metals	14.4	14.4	14.5	14.6	14.7	14.8	14.8	14.9
% Ch	1.9	1.9	2.9	2.4	2.1	2.4	2.0	1.8
Nonelectrical Machinery	22.6	22.8	23.0	23.2	23.4	23.7	23.9	24.1
% Ch	4.5	4.0	3.7	3.5	3.7	4.0	4.0	3.6
Electrical Machinery	17.6	17.8	18.0	18.2	18.5	18.7	19.0	19.2
% Ch	5.4	5.3	5.2	4.8	4.9	5.3	5.3	5.0
Aerospace	64.9	65.9	66.9	67.9	68.9	70.0	71.0	72.1
% Ch	1.5	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Other Trans. Equip.	12.2	12.2	12.2	12.3	12.3	12.3	12.3	12.4
% Ch	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8
Instruments	15.4	15.5	15.5	15.6	15.6	15.7	15.8	15.8
% Ch	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.2
Other Durables	8.0	8.1	8.1	8.2	8.3	8.4	8.4	8.5
% Ch	3.5	3.6	3.6	3.6	3.7	3.5	3.4	3.3
Nonmanufacturing	2,428.4	2,443.2	2,456.7	2,470.5	2,483.7	2,496.4	2,509.2	2,521.9
% Ch	2.4	2.5	2.2	2.3	2.2	2.1	2.1	2.0
Mining	3.4	3.4	3.4	3.5	3.5	3.5	3.6	3.6
% Ch	3.5	4.0	4.1	4.0	3.4	2.8	2.7	2.6
Construction	152.4	153.6	155.0	156.4	157.8	159.1	160.4	161.5
% Ch	2.7	3.2	3.7	3.7	3.6	3.4	3.2	2.9
Trans., Comm. and Utilities	151.4	153.1	154.6	156.2	157.2	158.2	159.2	160.2
% Ch	4.3	4.4	4.1	4.1	2.7	2.6	2.6	2.5
Wholesale Trade	157.0	158.2	159.5	160.9	161.7	162.4	163.1	163.7
% Ch	2.9	3.2	3.4	3.4	2.0	1.8	1.7	1.5
Retail Trade	487.5	490.8	492.9	495.4	497.5	499.4	501.0	502.7
% Ch	2.3	2.7	1.8	2.1	1.7	1.5	1.3	1.3
Finance-Insurance-Real Estate	149.4	150.3	151.2	152.1	153.1	154.0	154.9	155.8
% Ch	2.5	2.4	2.4	2.5	2.7	2.3	2.3	2.3
Services	831.8	838.2	843.8	849.3	855.6	861.8	868.5	875.2
% Ch	3.3	3.1	2.7	2.6	3.0	3.0	3.1	3.1
State and Local Government	426.0	426.1	426.5	426.9	427.4	427.9	428.4	429.0
% Ch	0.0	0.1	0.3	0.4	0.5	0.5	0.5	0.5
Federal Government	69.6	69.6	69.7	69.8	69.9	70.0	70.1	70.2
% Ch	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.6

Table A3.1  
**U.S. Personal Income by Component**  
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	7,426.0	7,777.3	8,319.2	8,724.7	8,946.1	9,424.3	9,959.8	10,438.6
% Ch	7.0	4.7	7.0	4.9	2.5	5.3	5.7	4.8
Total Wage and Salary Disbursements	4,192.8	4,472.2	4,837.2	5,098.8	5,233.2	5,502.5	5,823.0	6,100.8
% Ch	7.8	6.7	8.2	5.4	2.6	5.1	5.8	4.8
Nonwage Personal Income	3,233.2	3,305.0	3,482.0	3,625.8	3,712.9	3,921.9	4,136.8	4,337.7
% Ch	6.1	2.2	5.4	4.1	2.4	5.6	5.5	4.9
Other Labor Income	490.6	509.7	534.2	553.9	567.3	592.5	619.2	646.1
% Ch	3.2	3.9	4.8	3.7	2.4	4.4	4.5	4.3
Proprietor's Income	623.8	672.0	715.0	743.2	762.2	823.5	856.1	891.7
% Ch	7.3	7.7	6.4	4.0	2.5	8.1	4.0	4.2
Farm	25.6	26.6	30.6	27.4	24.8	29.4	29.7	29.5
% Ch	-13.9	3.8	15.1	-10.5	-9.5	18.8	1.1	-1.0
Nonfarm	598.2	645.4	684.4	715.9	737.4	794.1	826.3	862.2
% Ch	8.5	7.9	6.0	4.6	3.0	7.7	4.1	4.3
Less: Pers Cont. For Social Ins.	316.3	337.1	357.7	373.3	380.3	398.7	420.7	439.5
% Ch	6.2	6.6	6.1	4.4	1.9	4.8	5.5	4.5
Dividends/Int./Rent	1,451.4	1,440.8	1,521.4	1,553.0	1,536.4	1,610.2	1,719.1	1,795.9
% Ch	9.4	-0.7	5.6	2.1	-1.1	4.8	6.8	4.5
Transfer Payments	983.7	1,019.6	1,069.1	1,149.0	1,227.3	1,294.3	1,363.1	1,443.5
% Ch	2.2	3.6	4.9	7.5	6.8	5.5	5.3	5.9

Table A3.2  
**U.S. Personal Income by Component**  
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	8,104.4	8,271.0	8,381.5	8,519.6	8,640.2	8,714.6	8,771.8	8,772.0
% Ch	8.6	8.5	5.5	6.8	5.8	3.5	2.7	0.0
Total Wage and Salary Disbursements	4,701.9	4,797.9	4,875.8	4,973.2	5,049.4	5,099.8	5,123.4	5,122.7
% Ch	10.0	8.4	6.6	8.2	6.3	4.0	1.9	-0.1
Nonwage Personal Income	3,402.6	3,473.1	3,505.8	3,546.5	3,590.7	3,614.8	3,648.4	3,649.3
% Ch	6.6	8.6	3.8	4.7	5.1	2.7	3.8	0.1
Other Labor Income	523.7	530.1	537.9	544.9	549.3	552.2	555.4	558.5
% Ch	5.6	5.0	6.0	5.3	3.2	2.2	2.3	2.3
Proprietor's Income	697.6	717.9	719.3	725.2	735.2	745.3	752.7	739.6
% Ch	4.6	12.2	0.8	3.3	5.6	5.6	4.0	-6.8
Farm	26.5	32.5	31.6	31.7	29.8	28.7	32.3	18.7
% Ch	4.7	124.3	-9.6	0.9	-21.8	-14.3	59.5	-88.7
Nonfarm	671.0	685.4	687.6	693.5	705.4	716.6	720.5	720.9
% Ch	4.6	8.9	1.3	3.4	7.0	6.5	2.2	0.2
Less: Pers Cont. For Social Ins.	351.3	355.8	359.4	364.1	372.1	374.0	374.2	373.0
% Ch	8.9	5.2	4.1	5.3	9.0	2.1	0.3	-1.3
Dividends/Int./Rent	1,486.3	1,514.6	1,533.4	1,551.5	1,555.3	1,551.9	1,555.4	1,549.5
% Ch	8.5	7.8	5.1	4.8	1.0	-0.9	0.9	-1.5
Transfer Payments	1,046.3	1,066.3	1,074.6	1,089.0	1,123.1	1,139.4	1,159.0	1,174.7
% Ch	6.5	7.9	3.2	5.5	13.1	5.9	7.1	5.5

Table A3.2  
**U.S. Personal Income by Component**  
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,811.6	8,895.1	8,986.3	9,091.3	9,230.1	9,354.6	9,492.1	9,620.5
% Ch	1.8	3.8	4.2	4.8	6.3	5.5	6.0	5.5
Total Wage and Salary Disbursements	5,161.8	5,206.0	5,253.1	5,311.7	5,386.3	5,461.8	5,540.6	5,621.2
% Ch	3.1	3.5	3.7	4.5	5.7	5.7	5.9	5.9
Nonwage Personal Income	3,649.7	3,689.2	3,733.1	3,779.6	3,843.9	3,892.8	3,951.5	3,999.3
% Ch	0.0	4.4	4.8	5.1	7.0	5.2	6.2	4.9
Other Labor Income	560.9	562.8	569.8	575.6	582.8	589.1	595.6	602.6
% Ch	1.7	1.4	5.0	4.2	5.1	4.4	4.4	4.8
Proprietor's Income	742.0	753.8	767.7	785.1	807.1	820.8	830.8	835.4
% Ch	1.3	6.5	7.5	9.4	11.7	7.0	4.9	2.3
Farm	21.8	24.3	26.4	26.6	29.6	29.3	30.7	28.1
% Ch	84.7	55.5	37.8	2.8	54.4	-3.9	20.3	-30.2
Nonfarm	720.2	729.5	741.3	758.6	777.5	791.5	800.1	807.4
% Ch	-0.4	5.3	6.6	9.7	10.4	7.4	4.4	3.7
Less: Pers Cont. For Social Ins.	375.5	378.4	381.6	385.6	390.7	395.9	401.3	406.8
% Ch	2.7	3.2	3.4	4.2	5.4	5.4	5.6	5.6
Dividends/Int./Rent	1,519.7	1,531.9	1,541.2	1,552.9	1,568.8	1,592.9	1,626.2	1,652.9
% Ch	-7.5	3.2	2.4	3.1	4.1	6.3	8.6	6.7
Transfer Payments	1,202.6	1,219.0	1,236.1	1,251.5	1,275.9	1,285.9	1,300.3	1,315.2
% Ch	9.8	5.6	5.7	5.1	8.0	3.2	4.6	4.7

Table A3.2  
**U.S. Personal Income by Component**  
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,774.8	9,903.9	10,024.8	10,135.8	10,270.2	10,383.6	10,494.8	10,605.6
% Ch	6.6	5.4	5.0	4.5	5.4	4.5	4.4	4.3
Total Wage and Salary Disbursements	5,710.2	5,790.3	5,861.5	5,930.0	6,003.5	6,069.3	6,132.8	6,197.7
% Ch	6.5	5.7	5.0	4.8	5.1	4.5	4.3	4.3
Nonwage Personal Income	4,064.7	4,113.6	4,163.3	4,205.8	4,266.7	4,314.3	4,361.9	4,407.9
% Ch	6.7	4.9	4.9	4.1	5.9	4.5	4.5	4.3
Other Labor Income	611.4	614.8	622.0	628.8	635.8	642.6	649.5	656.4
% Ch	5.9	2.3	4.8	4.4	4.6	4.3	4.4	4.3
Proprietor's Income	844.2	852.7	861.1	866.3	876.6	887.6	897.4	905.2
% Ch	4.3	4.1	4.0	2.5	4.8	5.2	4.5	3.5
Farm	27.3	29.5	32.2	30.0	29.4	30.6	30.5	27.4
% Ch	-10.5	36.2	42.2	-24.3	-8.3	17.4	-0.8	-35.4
Nonfarm	816.9	823.2	828.9	836.3	847.2	857.1	866.9	877.8
% Ch	4.8	3.1	2.8	3.6	5.3	4.7	4.7	5.1
Less: Pers Cont. for Social Ins.	413.0	418.5	423.3	427.9	432.9	437.4	441.6	446.0
% Ch	6.2	5.4	4.7	4.5	4.7	4.2	4.0	4.0
Dividends/Int./Rent	1,681.9	1,710.2	1,732.9	1,751.6	1,770.6	1,787.5	1,804.1	1,821.6
% Ch	7.2	6.9	5.4	4.4	4.4	3.9	3.8	3.9
Transfer Payments	1,340.2	1,354.4	1,370.7	1,387.1	1,416.7	1,434.0	1,452.5	1,470.7
% Ch	7.8	4.3	4.9	4.9	8.8	5.0	5.3	5.1

Table A3.3  
**Washington Personal Income by Component**  
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	163.291	174.324	184.280	188.909	191.446	201.053	212.584	224.056
% Ch	8.7	6.8	5.7	2.5	1.3	5.0	5.7	5.4
Total Wage and Salary Disbursements	94.321	103.833	109.665	111.035	111.474	116.737	123.514	130.330
% Ch	10.5	10.1	5.6	1.2	0.4	4.7	5.8	5.5
Manufacturing	16.218	16.410	16.719	16.469	15.394	15.772	16.809	17.931
% Ch	5.9	1.2	1.9	-1.5	-6.5	2.5	6.6	6.7
Nondurable Manufacturing	3.800	4.062	4.425	4.149	4.128	4.377	4.677	4.930
% Ch	1.8	6.9	8.9	-6.2	-0.5	6.0	6.9	5.4
Durable Manufacturing	12.418	12.348	12.294	12.320	11.266	11.395	12.132	13.001
% Ch	7.2	-0.6	-0.4	0.2	-8.6	1.2	6.5	7.2
Nonmanufacturing	74.587	83.648	89.089	90.433	91.623	96.287	101.790	107.249
% Ch	12.1	12.1	6.5	1.5	1.3	5.1	5.7	5.4
Other Private Wages	0.775	0.893	0.921	0.997	1.065	1.125	1.197	1.269
% Ch	4.6	15.2	3.1	8.2	6.9	5.6	6.4	6.0
Farm Wages	0.876	0.984	0.961	1.042	1.117	1.159	1.209	1.259
% Ch	3.2	12.3	-2.3	8.4	7.2	3.8	4.3	4.1
Military Wages	1.865	1.898	1.975	2.095	2.275	2.394	2.509	2.622
% Ch	-3.8	1.7	4.1	6.1	8.6	5.2	4.8	4.5
Nonwage Personal Income	68.970	70.491	74.614	77.874	79.972	84.316	89.070	93.726
% Ch	6.4	2.2	5.8	4.4	2.7	5.4	5.6	5.2
Other Labor Income	10.549	10.997	11.331	11.740	12.046	12.455	12.966	13.588
% Ch	3.6	4.3	3.0	3.6	2.6	3.4	4.1	4.8
Proprietor's Income	12.557	13.347	14.250	14.801	15.250	16.409	17.108	17.956
% Ch	7.4	6.3	6.8	3.9	3.0	7.6	4.3	5.0
Farm	0.571	0.123	0.428	0.459	0.540	0.636	0.671	0.680
% Ch	22.3	-78.5	247.8	7.4	17.5	17.8	5.5	1.3
Nonfarm	11.986	13.224	13.822	14.341	14.710	15.773	16.437	17.276
% Ch	6.8	10.3	4.5	3.8	2.6	7.2	4.2	5.1
Less: Pers. Cont. for Social Ins.	7.214	7.909	8.226	8.481	8.672	9.051	9.544	10.036
% Ch	8.7	9.6	4.0	3.1	2.2	4.4	5.4	5.2
Plus: Residence Adjustment	1.793	2.114	2.332	2.428	2.479	2.582	2.691	2.803
% Ch	9.0	17.9	10.3	4.1	2.1	4.2	4.2	4.2
Dividends/Int./Rent	31.690	31.374	33.243	33.885	33.531	35.188	37.671	39.541
% Ch	9.7	-1.0	6.0	1.9	-1.0	4.9	7.1	5.0
Transfer Payments	19.595	20.567	21.684	23.501	25.338	26.732	28.178	29.874
% Ch	2.9	5.0	5.4	8.4	7.8	5.5	5.4	6.0
State U.I. Benefits	0.816	0.947	0.938	1.066	1.334	1.397	1.389	1.377
% Ch	12.9	16.1	-0.9	13.7	25.1	4.7	-0.5	-0.8
Other Transfers	18.780	19.620	20.745	22.435	24.004	25.335	26.789	28.497
% Ch	2.5	4.5	5.7	8.1	7.0	5.5	5.7	6.4



Table A3.4  
**Washington Personal Income by Component**  
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	182.632	183.572	183.620	187.297	186.906	191.526	189.019	188.187
% Ch	4.9	2.1	0.1	8.3	-0.8	10.3	-5.1	-1.7
Total Wage and Salary Disbursements	109.840	109.353	108.306	111.162	109.768	113.985	110.734	109.655
% Ch	3.1	-1.8	-3.8	11.0	-4.9	16.3	-10.9	-3.8
Manufacturing	16.458	16.285	16.713	17.419	17.353	16.483	16.186	15.854
% Ch	2.1	-4.1	10.9	18.0	-1.5	-18.6	-7.0	-8.0
Nondurable Manufacturing	4.818	4.172	4.416	4.294	4.207	4.193	4.127	4.069
% Ch	65.9	-43.8	25.5	-10.6	-7.9	-1.3	-6.2	-5.5
Durable Manufacturing	11.640	12.113	12.297	13.125	13.146	12.290	12.059	11.784
% Ch	-15.1	17.3	6.2	29.8	0.6	-23.6	-7.3	-8.8
Nonmanufacturing	89.555	89.222	87.706	89.873	88.393	93.471	90.349	89.518
% Ch	3.3	-1.5	-6.6	10.3	-6.4	25.0	-12.7	-3.6
Other Private Wages	0.907	0.935	0.924	0.919	0.990	0.941	1.020	1.035
% Ch	-5.9	12.9	-4.6	-2.1	34.6	-18.2	37.7	6.0
Farm Wages	0.970	0.967	0.959	0.949	0.978	1.026	1.074	1.090
% Ch	-4.8	-1.2	-3.3	-4.1	12.8	21.1	20.1	6.0
Military Wages	1.950	1.944	2.004	2.002	2.054	2.063	2.105	2.158
% Ch	13.6	-1.2	12.9	-0.4	10.8	1.8	8.4	10.4
Nonwage Personal Income	72.791	74.219	75.314	76.134	77.138	77.541	78.285	78.532
% Ch	7.8	8.1	6.0	4.4	5.4	2.1	3.9	1.3
Other Labor Income	11.278	11.274	11.274	11.497	11.343	11.846	11.853	11.919
% Ch	1.2	-0.1	0.0	8.1	-5.3	19.0	0.2	2.3
Proprietor's Income	14.038	14.174	14.380	14.410	14.613	14.819	14.924	14.847
% Ch	7.7	3.9	5.9	0.8	5.8	5.8	2.9	-2.1
Farm	0.419	0.347	0.535	0.410	0.459	0.478	0.493	0.407
% Ch	4,266.2	-53.0	465.1	-65.5	57.1	17.6	13.2	-53.3
Nonfarm	13.619	13.827	13.844	13.999	14.154	14.341	14.431	14.439
% Ch	0.0	6.3	0.5	4.6	4.5	5.4	2.5	0.2
Less: Pers. Cont. for Social Ins.	8.307	8.221	8.105	8.269	8.164	8.672	8.559	8.530
% Ch	2.6	-4.1	-5.5	8.3	-5.0	27.3	-5.1	-1.3
Plus: Residence Adjustment	2.221	2.317	2.388	2.402	2.489	2.386	2.410	2.428
% Ch	13.2	18.4	12.8	2.4	15.3	-15.6	4.1	3.1
Dividends/Int./Rent	32.408	33.080	33.572	33.914	33.988	33.880	33.891	33.779
% Ch	9.3	8.6	6.1	4.1	0.9	-1.3	0.1	-1.3
Transfer Payments	21.153	21.595	21.806	22.181	22.869	23.282	23.766	24.089
% Ch	6.6	8.6	4.0	7.1	13.0	7.4	8.6	5.5
State U.I. Benefits	0.899	0.892	0.931	1.031	0.973	1.033	1.098	1.161
% Ch	-16.3	-3.1	18.7	50.4	-20.7	27.0	27.6	25.2
Other Transfers	20.254	20.703	20.874	21.150	21.896	22.249	22.668	22.927
% Ch	7.8	9.2	3.3	5.4	14.9	6.6	7.7	4.7

Table A3.4  
**Washington Personal Income by Component**  
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	188.973	190.461	192.127	194.223	196.992	199.575	202.466	205.177
% Ch	1.7	3.2	3.5	4.4	5.8	5.3	5.9	5.5
Total Wage and Salary Disbursements	110.259	110.965	111.780	112.891	114.370	115.900	117.517	119.159
% Ch	2.2	2.6	3.0	4.0	5.3	5.5	5.7	5.7
Manufacturing	15.559	15.433	15.292	15.291	15.442	15.642	15.880	16.123
% Ch	-7.2	-3.2	-3.6	-0.0	4.0	5.3	6.2	6.3
Nondurable Manufacturing	4.059	4.121	4.147	4.186	4.252	4.338	4.419	4.497
% Ch	-1.0	6.3	2.5	3.8	6.5	8.4	7.7	7.3
Durable Manufacturing	11.500	11.311	11.145	11.106	11.190	11.304	11.461	11.625
% Ch	-9.3	-6.4	-5.7	-1.4	3.1	4.1	5.7	5.9
Nonmanufacturing	90.297	91.090	92.014	93.090	94.317	95.604	96.937	98.290
% Ch	3.5	3.6	4.1	4.8	5.4	5.6	5.7	5.7
Other Private Wages	1.050	1.059	1.069	1.082	1.100	1.116	1.134	1.151
% Ch	6.0	3.4	4.0	4.9	6.6	6.0	6.6	6.1
Farm Wages	1.106	1.113	1.120	1.129	1.141	1.153	1.165	1.177
% Ch	6.0	2.5	2.6	3.4	4.3	4.0	4.4	4.1
Military Wages	2.247	2.270	2.284	2.299	2.370	2.386	2.402	2.418
% Ch	17.7	4.1	2.6	2.5	12.9	2.7	2.7	2.7
Nonwage Personal Income	78.714	79.497	80.347	81.332	82.622	83.675	84.949	86.018
% Ch	0.9	4.0	4.3	5.0	6.5	5.2	6.2	5.1
Other Labor Income	11.970	11.972	12.075	12.166	12.287	12.394	12.508	12.633
% Ch	1.7	0.1	3.5	3.0	4.0	3.5	3.7	4.1
Proprietor's Income	14.915	15.097	15.325	15.664	16.074	16.350	16.548	16.664
% Ch	1.8	5.0	6.2	9.1	10.9	7.0	4.9	2.8
Farm	0.490	0.529	0.563	0.578	0.624	0.630	0.661	0.631
% Ch	108.5	36.1	28.7	10.8	35.5	4.2	21.0	-17.1
Nonfarm	14.425	14.568	14.762	15.086	15.451	15.720	15.888	16.034
% Ch	-0.4	4.0	5.4	9.1	10.0	7.1	4.3	3.7
Less: Pers. Cont. for Social Ins.	8.588	8.636	8.693	8.772	8.879	8.990	9.108	9.227
% Ch	2.7	2.3	2.7	3.7	5.0	5.1	5.3	5.3
Plus: Residence Adjustment	2.444	2.468	2.489	2.516	2.543	2.569	2.596	2.622
% Ch	2.6	4.1	3.5	4.4	4.3	4.1	4.3	4.1
Dividends/Int./Rent	33.148	33.428	33.641	33.907	34.262	34.800	35.543	36.146
% Ch	-7.3	3.4	2.6	3.2	4.3	6.4	8.8	7.0
Transfer Payments	24.824	25.167	25.509	25.851	26.335	26.553	26.861	27.179
% Ch	12.8	5.6	5.5	5.5	7.7	3.4	4.7	4.8
State U.I. Benefits	1.263	1.327	1.362	1.383	1.392	1.396	1.399	1.401
% Ch	39.9	21.7	10.9	6.3	2.6	1.3	0.8	0.4
Other Transfers	23.561	23.840	24.147	24.469	24.944	25.157	25.462	25.779
% Ch	11.5	4.8	5.3	5.4	8.0	3.5	4.9	5.1

Table A3.4  
**Washington Personal Income by Component**  
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	208.354	211.230	214.030	216.724	219.823	222.619	225.435	228.346
% Ch	6.3	5.6	5.4	5.1	5.8	5.2	5.2	5.3
Total Wage and Salary Disbursements	120.920	122.695	124.381	126.062	127.783	129.469	131.150	132.918
% Ch	6.0	6.0	5.6	5.5	5.6	5.4	5.3	5.5
Manufacturing	16.379	16.671	16.958	17.229	17.505	17.791	18.070	18.358
% Ch	6.5	7.3	7.1	6.6	6.6	6.7	6.4	6.5
Nondurable Manufacturing	4.573	4.645	4.715	4.774	4.836	4.901	4.961	5.022
% Ch	6.9	6.4	6.2	5.1	5.3	5.5	5.0	4.9
Durable Manufacturing	11.806	12.026	12.242	12.455	12.669	12.889	13.108	13.336
% Ch	6.3	7.7	7.4	7.1	7.0	7.2	7.0	7.1
Nonmanufacturing	99.695	101.131	102.485	103.850	105.198	106.551	107.907	109.339
% Ch	5.8	5.9	5.5	5.4	5.3	5.2	5.2	5.4
Other Private Wages	1.171	1.189	1.206	1.223	1.243	1.260	1.278	1.296
% Ch	7.2	6.3	6.0	5.7	6.6	5.7	5.7	5.9
Farm Wages	1.191	1.203	1.216	1.227	1.241	1.253	1.265	1.278
% Ch	4.7	4.3	4.2	3.9	4.4	4.0	4.0	4.0
Military Wages	2.484	2.501	2.517	2.533	2.597	2.614	2.630	2.647
% Ch	11.4	2.7	2.6	2.6	10.4	2.6	2.6	2.6
Nonwage Personal Income	87.434	88.535	89.648	90.661	92.040	93.150	94.285	95.429
% Ch	6.8	5.1	5.1	4.6	6.2	4.9	5.0	4.9
Other Labor Income	12.787	12.869	13.027	13.182	13.339	13.500	13.670	13.845
% Ch	5.0	2.6	5.0	4.9	4.8	4.9	5.1	5.2
Proprietor's Income	16.854	17.025	17.201	17.351	17.598	17.845	18.080	18.301
% Ch	4.6	4.1	4.2	3.5	5.8	5.7	5.4	5.0
Farm	0.628	0.665	0.710	0.681	0.677	0.696	0.696	0.649
% Ch	-1.8	26.3	29.5	-15.1	-2.3	11.6	0.1	-24.4
Nonfarm	16.226	16.360	16.491	16.670	16.920	17.149	17.384	17.651
% Ch	4.9	3.3	3.3	4.4	6.1	5.5	5.6	6.3
Less: Pers. Cont. for Social Ins.	9.355	9.484	9.607	9.728	9.853	9.974	10.096	10.223
% Ch	5.7	5.6	5.3	5.2	5.2	5.0	4.9	5.2
Plus: Residence Adjustment	2.649	2.677	2.705	2.733	2.761	2.789	2.817	2.845
% Ch	4.1	4.2	4.3	4.2	4.1	4.1	4.1	4.0
Dividends/Int./Rent	36.804	37.453	37.987	38.438	38.901	39.324	39.746	40.194
% Ch	7.5	7.2	5.8	4.8	4.9	4.4	4.4	4.6
Transfer Payments	27.696	27.996	28.335	28.685	29.295	29.667	30.067	30.467
% Ch	7.8	4.4	4.9	5.0	8.8	5.2	5.5	5.4
State U.I. Benefits	1.398	1.390	1.385	1.383	1.380	1.377	1.376	1.377
% Ch	-0.7	-2.2	-1.4	-0.6	-0.9	-0.8	-0.3	0.2
Other Transfers	26.298	26.606	26.950	27.302	27.915	28.290	28.691	29.090
% Ch	8.3	4.8	5.3	5.3	9.3	5.5	5.8	5.7

Table A4.1  
**Selected Inflation Indicators**  
 (Deflator 1996=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.234	1.5	0.315	1.6	0.310	1.1
1966	0.240	2.6	0.325	3.0	0.319	3.0
1967	0.246	2.5	0.334	2.8	0.328	2.9
1968	0.256	3.9	0.348	4.2	0.342	4.1
1969	0.267	4.5	0.367	5.4	0.358	4.8
1970	0.280	4.7	0.388	5.9	0.374	4.5
1971	0.292	4.3	0.405	4.2	0.382	2.1
1972	0.302	3.5	0.418	3.3	0.393	2.9
1973	0.319	5.4	0.444	6.3	0.418	6.4
1974	0.351	10.3	0.493	11.0	0.464	11.0
1975	0.380	8.1	0.538	9.1	0.511	10.2
1976	0.401	5.5	0.569	5.8	0.539	5.5
1977	0.427	6.6	0.606	6.5	0.583	8.0
1978	0.458	7.1	0.652	7.6	0.640	9.9
1979	0.498	8.9	0.726	11.3	0.709	10.8
1980	0.552	10.8	0.824	13.5	0.827	16.7
1981	0.601	8.8	0.909	10.4	0.916	10.8
1982	0.635	5.6	0.965	6.2	0.978	6.7
1983	0.662	4.3	0.996	3.2	0.993	1.5
1984	0.686	3.7	1.039	4.4	1.030	3.8
1985	0.710	3.4	1.076	3.5	1.056	2.5
1986	0.727	2.4	1.097	1.9	1.066	1.0
1987	0.755	3.8	1.137	3.7	1.092	2.4
1988	0.784	3.9	1.184	4.1	1.128	3.3
1989	0.819	4.4	1.240	4.8	1.181	4.7
1990	0.856	4.6	1.308	5.4	1.268	7.3
1991	0.889	3.8	1.363	4.2	1.341	5.8
1992	0.916	3.0	1.404	3.0	1.390	3.7
1993	0.938	2.4	1.446	3.0	1.429	2.8
1994	0.957	2.0	1.483	2.6	1.478	3.4
1995	0.979	2.3	1.525	2.8	1.522	3.0
1996	1.000	2.1	1.570	2.9	1.575	3.4
1997	1.019	1.9	1.606	2.3	1.630	3.5
1998	1.030	1.1	1.631	1.5	1.678	2.9
1999	1.047	1.6	1.667	2.2	1.728	3.0
2000	1.075	2.7	1.723	3.4	1.792	3.7
2001	1.095	1.9	1.772	2.8	1.857	3.6
Forecast						
2002	1.106	1.0	1.797	1.4	1.896	2.1
2003	1.130	2.2	1.841	2.4	1.935	2.1
2004	1.156	2.3	1.887	2.5	1.976	2.1
2005	1.181	2.2	1.933	2.5	2.022	2.3

\* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

# Consumer Price Index for all Urban Consumers

+ Consumer Price Index for the Seattle-Tacoma-Bremerton, WA CMSA

Table A4.2

**Chain-Weighted Price Indices**

(1996=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.188	2.0	0.236	2.0	0.149	2.3	0.237	3.8
1966	0.193	2.9	0.246	4.2	0.153	2.5	0.243	2.3
1967	0.199	3.0	0.250	1.6	0.158	3.2	0.251	3.3
1968	0.207	4.2	0.259	3.7	0.162	3.0	0.254	1.5
1969	0.217	5.0	0.272	4.9	0.166	2.3	0.263	3.3
1970	0.229	5.3	0.288	6.1	0.173	4.2	0.265	0.9
1971	0.242	5.6	0.297	3.1	0.185	6.7	0.267	0.7
1972	0.252	4.3	0.311	4.5	0.186	0.8	0.270	1.3
1973	0.264	4.6	0.345	10.9	0.213	14.4	0.296	9.6
1974	0.285	7.9	0.393	14.2	0.338	58.3	0.400	35.1
1975	0.308	8.2	0.425	7.9	0.370	9.6	0.427	6.7
1976	0.329	6.8	0.439	3.3	0.395	6.8	0.445	4.2
1977	0.355	7.9	0.466	6.3	0.446	12.8	0.471	5.8
1978	0.383	7.9	0.509	9.1	0.469	5.1	0.491	4.3
1979	0.414	8.2	0.559	10.0	0.628	34.0	0.659	34.0
1980	0.459	10.7	0.608	8.7	0.874	39.2	0.914	38.8
1981	0.506	10.2	0.654	7.6	1.064	21.7	1.017	11.3
1982	0.548	8.4	0.677	3.5	1.052	-1.2	0.966	-5.1
1983	0.583	6.4	0.692	2.1	0.989	-6.0	0.934	-3.3
1984	0.614	5.2	0.715	3.3	1.011	2.3	0.920	-1.5
1985	0.644	4.9	0.729	2.0	0.976	-3.4	0.928	0.8
1986	0.673	4.6	0.750	2.9	0.787	-19.3	0.729	-21.5
1987	0.702	4.3	0.775	3.3	0.788	0.1	0.756	3.8
1988	0.736	4.9	0.801	3.4	0.790	0.3	0.763	0.8
1989	0.771	4.8	0.841	5.0	0.826	4.5	0.833	9.2
1990	0.809	5.0	0.882	4.8	0.986	19.4	0.948	13.8
1991	0.848	4.8	0.912	3.4	0.955	-3.2	0.936	-1.3
1992	0.885	4.3	0.922	1.2	0.921	-3.6	0.933	-0.4
1993	0.916	3.5	0.937	1.5	0.918	-0.3	0.923	-1.0
1994	0.942	2.8	0.952	1.6	0.903	-1.6	0.928	0.5
1995	0.973	3.3	0.973	2.2	0.896	-0.8	0.942	1.6
1996	1.000	2.8	1.000	2.8	1.000	11.6	1.000	6.1
1997	1.031	3.1	1.022	2.2	1.008	0.8	1.000	0.0
1998	1.055	2.3	1.040	1.8	0.915	-9.2	0.871	-12.9
1999	1.078	2.2	1.061	2.0	0.926	1.2	0.948	8.8
2000	1.111	3.1	1.086	2.4	1.293	39.5	1.211	27.8
2001	1.143	2.8	1.119	3.0	1.305	1.0	1.169	-3.4
Forecast								
2002	1.169	2.3	1.133	1.3	1.113	-14.8	0.975	-16.6
2003	1.201	2.7	1.149	1.4	1.203	8.1	1.036	6.3
2004	1.236	2.9	1.171	1.9	1.243	3.3	1.061	2.4
2005	1.271	2.9	1.193	1.9	1.294	4.1	1.093	3.1

Table A5.1  
**Total Resident Population and Components of Change\***  
 (Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	81.4	44.0	43.4
<b>Forecast</b>						
2002	6042.6	67.7	1.1	81.3	45.6	32.0
2003	6100.9	58.2	1.0	82.0	46.1	22.4
2004	6165.7	64.8	1.1	82.7	46.8	29.0
2005	6233.3	67.7	1.1	83.4	47.6	31.8

\* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2  
**Washington Population\***  
 (Thousands)

	<b>Actual</b>		<b>2002</b>	<b>Forecast</b>		
	<b>2000</b>	<b>2001</b>		<b>2003</b>	<b>2004</b>	<b>2005</b>
Total Population	5894.1	5974.9	6042.6	6100.9	6165.7	6233.3
Percent Change	1.1	1.4	1.1	1.0	1.1	1.1
Age 17 and Under	1513.8	1521.3	1525.1	1525.4	1527.2	1532.1
Percent of Total	25.7	25.5	25.2	25.0	24.8	24.6
Age 6-18	1123.3	1129.3	1129.8	1127.9	1126.9	1126.1
Percent of Total	19.1	18.9	18.7	18.5	18.3	18.1
Age 18 and Over	4380.3	4453.6	4517.5	4575.5	4638.4	4701.3
Percent of Total	74.3	74.5	74.8	75.0	75.2	75.4
Age 21 and Over	4128.0	4195.1	4255.8	4311.4	4372.3	4434.0
Percent of Total	70.0	70.2	70.4	70.7	70.9	71.1
Age 20-34	1231.3	1243.2	1254.6	1262.9	1270.9	1273.6
Percent of Total	20.9	20.8	20.8	20.7	20.6	20.4
Age 18-64	3718.1	3783.9	3840.8	3890.2	3944.0	3995.5
Percent of Total	63.1	63.3	63.6	63.8	64.0	64.1
Age 65 and Over	662.1	669.7	676.7	685.3	694.5	705.7
Percent of Total	11.2	11.2	11.2	11.2	11.3	11.3

\* As of April 1 of Each Year

Source: Office of Financial Management

## Glossary

**Biennium:** The state's two years budget cycle. The 1997-1999 biennium started on July 1, 1997 and ends June 30, 1999. The current 1999-2001 biennium started July 1, 1999 and ends June 30, 2001.

**Cash Basis:** Cash receipts received during a period. The Forecast Council forecasts revenues on a Cash and GAAP (Generally Accepted Accounting Principles) basis.

**CPI:** The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also produces a bi-monthly Seattle-Tacoma-Bremerton CPI.

**Tax Elasticity:** A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with less than a one percent increase in tax revenues.

**Fiscal Year:** The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1999, for example, ran from July 1, 1998 through June 30, 1999.

**GAAP Basis:** Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.

**General Fund:** Accounts for all financial resources and transactions not accounted for in another fund.

**General Fund-State Revenue:** Resources from state sources only, excludes federal monies.

**Implicit Price Deflator for Personal Consumption Expenditures (IPD):** The IPD is a by-product of the National Income and Product Accounts. It is derived by dividing current dollar (nominal) consumer expenditures by constant dollar (real) consumer expenditures.

**Mortgage Rate:** The average interest rate on 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

**Non-Wage Income:** Personal income other than from wages and salaries. The major components are: proprietor's income, transfer payments, and dividends, interest and rent.

**Real GDP:** Gross Domestic Production adjusted for the price level.

**Personal Income:** Income from wages and salaries; other labor income; proprietor's income; dividends, interest and rent; transfer payments; and a residence adjustment. It is reduced by employee contributions for social insurance.

**Seasonally Adjusted:** Adjusted for normal seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

**Wage and Salary Employment:** Civilian nonfarm payroll employees. The self-employed, farm workers, members of the armed forces, private household employees, and workers on strike are excluded.



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